FEDERAL DEPOSIT INSURANCE CORPORATION

+ + + + +

ADVISORY COMMITTEE ON ECONOMIC INCLUSION

+ + + + +

MEETING

+ + + + +

THURSDAY
OCTOBER 20, 2016

+ + + + +

The Advisory Committee met in the Board Room of the FDIC Headquarters, 550 17th Street, N.W., Washington, D.C., at 9:05 a.m., Martin J. Gruenberg, Chairman, presiding.

MEMBERS PRESENT:

MARTIN J. GRUENBERG, Chairman, FDIC
ROBERT A. ANNIBALE, Global Director, Citi Microfinance and Community Development, Citi
MICHAEL BARR, Professor of Law, University of Michigan Law School
TED BECK, President and CEO, National Endowment for Financial Education
KELVIN BOSTON, President, Boston Media, Inc.
JOSE CISNEROS, Treasurer, City and County of San Francisco
MARTIN EAKES, CEO, Self-Help Credit Union
ANDREA LEVERE, President, Corporation for Enterprise Development
PATRICIA A. MCCOY, Liberty Mutual Professor of Law, Boston College Law School
ALDEN J. MCDONALD, JR., President and CEO, Liberty Bank and Trust

MEMBERS PRESENT: (CONT)

BRUCE D. MURPHY, Executive Vice President and President, Community Development Banking, KeyBank
MARK W. OLSON, Chairman, Treliant Risk Advisors
JOHN W. RYAN, President and CEO, Conference of State Bank Supervisors
PHILLIP L. SWAGEL, Professor, University of Maryland, School of Public Policy
JOHN C. WEICHER, Senior Fellow and Director, Center for Housing and Financial Markets, Hudson Institute

CONTENTS

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

9:06 a.m.

CHAIR GRUENBERG: If I can ask for everyone's attention. We have a full agenda today and I think a pretty interesting one. So, I want to try to get going and stay on schedule if we can.

Let me just give you a brief overview of our program. The first issue this morning will catch us up on continuing efforts to expand access to safe transaction accounts. A representative from U.S. Bank will discuss their new product that aligns with their Model Safe Account Standards. Cities for Financial Empowerment will provide an update on their work with the Bank On movement. And the FDIC will discuss our continued efforts to expand efforts to safe low-cost transactions.

Next, we will spend the bulk of today devoted to review of the results of the 2015 National Survey of Unbanked and Underbanked Households. We first introduced the Household Survey in 2009 and it continues to be an invaluable resource for the FDIC, as well as for researchers, community organizations and industry to better understand the needs of underserved households.

The presentation this morning will provide will provide the framework of findings for a follow-up discussion after lunch on the implications of the results.

And I want to frankly say that the discussion that we have with this committee every two years on the findings of the survey is the highlight of the work we do here.

Finally, over two years ago the FDIC began the Youth Savings Pilot as a way to promote financial inclusion among young people. Today, we will get an update and outline of lessons learned from the pilot. And I should mention that we will have a full program tomorrow at our Virginia Square facility to discuss the work of the pilot in more detail.

So, we have a lot to cover. Before we begin, let me remind people that this meeting is being webcast live and recorded for future viewing.

I also want to let the committee know

that I am going to have to step out after the first panel for that session providing the overview of the Household Survey, have the opportunity to get briefed in some detail and I have got to go to a meeting outside of the Agency but I will be back after lunch for the discussion this afternoon on the implications of the survey, as well as the discussion of the Youth Savings Pilot.

So, to get started, I would like to introduce the moderator of our first panel, Jonathan Miller. He is the Deputy Director for Policy and Research in our Division of Depositor and Consumer Protection.

MR. MILLER: Thank you, Mr. Chairman. Good morning members of the committee. As the chairman described, our first panel this morning will continue the discussion that we have had over the course of a number of years now regarding the expansion of access to safe low-cost transaction accounts.

Right after this panel, as the chairman mentioned, you are going to hear in our discussion of the Household Survey how high and unexpected fees can be a barrier to joining or remaining in the banking system, especially for low and moderate income families.

Over the course of the past several years, we have adopted a template developed with the active assistance of this committee that we call the Safe Accounts Template. These accounts are low-cost as defined by having no or low monthly fees, no or low monthly balances, and importantly, no overdraft fees. We focused on Safe Accounts as a way of helping these families surmount the barriers to account ownership that we have identified in the Household Survey.

Our first panelist, Lynn Heitman, will discuss how another significant financial institution is offering a product designed to provide safe affordable access to financial services.

Lynn is the Executive Vice President at U.S. Bank in consumer banking sales and support and she is responsible for the product strategy and support management of retail consumer deposits and loans. She is going to give us an overview of the safe debit account product that U.S. Bank is offering.

And I will note that with the addition of U.S. Bank's new product, 87 percent of all Americans now live in a county with a full service branch of an institution offering Safe Account.

The panel after Lynn, we will hear from Jonathan Mintz, an old friend to this committee. He is the President and CEO of the Cities for Financial Empowerment Fund, as you know, inspired in part by the Model Safe Accounts Template. CFE developed Bank On National Account Standards. These standards provide local Bank On programs with a framework for creating access to mainstream banking to the unbanked and underbanked community.

Jonathan's comments will provide the committee with updates on the Bank On efforts that CFE is helping to lead.

And finally, the FDIC's own Liz Ortiz, our Deputy Director for Consumer and Community

Affairs will round out the panel's discussion providing an update on what the FDIC is doing out in the field in partnership with CFE and others to promote these Safe Accounts.

So, Lynn, let me hand it over to you.

MS. HEITMAN: All right. Wonderful. Good morning, everybody and thanks so much for having me. I think what I will start with first is who we are. For those of you on the East Coast of the country, we may not be a familiar name or the southern part of the country as well. We are the fifth largest bank in the country. We have more than 3,100 branches and 5,000 ATMS in 25 states in the Midwest and West. And we serve more than 18 million consumers. So, certainly, a broad range of impact that we have across the country.

Our goal is to be a trusted choice for our customers and we are fortunate to have been recognized as one of the most admired, most trusted, and most ethical companies in the world. And personally, I am very proud to work for this organization.

So, we believe that we have an opportunity but also a responsibility to reach and serve all consumers, including the unbanked and underbanked. We believe that sincerely and have been working, actually on a Safe Account for several years, which many people look at me when I say that and say why does it take several years to work on a product. It is because it had starts and stops. And I think as the industry has evolved, we have learned and we have adjusted and certainly had an opportunity to move things much quicker last year, really driven a lot by our positive and very collaborative relationships with our regulators, as well as organizations like the CFE fund that really provided an opportunity for us to learn a lot more about the consumer and exactly what their needs were as we were working through that product design.

The Bank On Standards introduced last year provided us an opportunity to benchmark the design that we had out there and ensure that it was something that was going to meet the needs of the consumers. And our account has all of the features that are required to meet the Bank On standards, as well as many of the additional features that were recommended for the product. So, we were very pleased to see that when that benchmark was released last year.

So, two months ago in August we launched the U.S. Bank Safe Debit Account. Our goal, to provide a safe affordable deposit account that had the benefits of the traditional checking account for our customers, obviously. So, I believe that this simple snapshot is a document that is available --

MR. MILLER: It's in your package, yes.

MS. HEITMAN: -- to you in your packets. That does lay out all of the details but I will walk through some of the key benefits here to save everybody from having to read the front and back of that.

It is a checkless account. It does offer a debit card. It has a $4.95 monthly maintenance fee. Free withdrawals at any U.S.

Bank ATM. We do not carry those into overdraft and there are no overdraft or NSF fees on this product.

The funds availability policies are standard policy for any product that we offer and that was something that was very important for us as we looked at this product as well. It does provide full access via online and mobile banking, including some key account management features like text banking and account alerts, which I know this committee has talked about in the past.

We do offer full online bill pay with this product as well, which is critical, with a couple of restrictions. And those restrictions are around recurring payments and future-dated payments. And the reason for that is because those types of payments, as they are scheduled or scheduled out later are something that becomes difficult for this consumer set to manage, when they are trying to manage their account balance. So, we felt that it was important to hold back on those, something that we are obviously going to watch and look for whether it is something we can offer in the future.

We do offer mobile deposits, remote deposit captures. We refer to it as a standard fee that we charge for this service for all of our products. So, there is not anything that is different than what any other checking account customer gets.

We also offer discounted money orders at $1.65 versus our standard rate of $5. We have available no-fee savings account for these customers as well and they can choose paper or electronic statements, at their choice. Whatever is most convenient for them.

Account screening for this product is the same as all other accounts that we open in the branches. We screen for past incidents of fraud or an unresolved U.S. Bank charge off. Those are the only two screens that we do. We do not screen for credit when we open the checking account in our branches.

Today, we offer this product in the branches only but in November we will be offering an online and a phone apply option for the account as well.

Additionally and equally important, I think, to all the features, which I don't want to diminish of course, but what was very critical is that the account is offered with equal visibility to any other checking account that we offer. So, all of our branch materials, anything on usbank.com, this product is laid out equally to that and is an option. As the banker goes through the onboarding process with the customer, there are a series of questions and interactions that they go through and this product is built right into that part of the discussion as well.

I will also point out, and Jonathan and I have talked about this a couple of times, something that was very critical when we put the launch plan together, is the employee training element of our launch. Confidence to discuss a product comes from full understanding of the product, something, certainly, we have learned as an organization.

So, all of our branch employees across the country were required to go through a training course on this product to understand its features and benefits before we launch the product in August and we will have continuous training that we do with that. So, that was something that was very critical as well.

So, our results have been very positive. They have exceeded our expectations. We are certainly very pleased. One interesting note that I will point out is two of the three accounts that we have opened since we launched are for new customers to the bank. So, we are bringing consumers into the banking system and I think that is important.

But I also think it is important to talk about the other, the one out of three as well, the other group, because we all know that many underbanked and unbanked consumers have had a bank account in the past. So, I think we, as an industry, have as much responsibility to try to keep consumers into the system as we do to try to draw them back into the system. And I believe by offering this option this does allow our bankers to have a conversation with a customer and say maybe this account hasn't worked out for you, but rather than leave, how about this account. Would this be something that would give you more control that you are looking for? So, I think that was very important.

Our community partners have been instrumental in spreading the word about the account. We have met with more than a hundred community organizations across the country since we launched the product to share with them the details so that they can discuss this option with their clients and the feedback has been overwhelmingly positive, as you would expect.

Likewise, though, our employees have been very enthusiastic and supportive of the product. I have heard many great stories of conversations that they have had. They are very pleased to be able to have this option to be able to discuss with their customers and I think that

that speaks for itself there as well. They are our ambassadors in their own communities. We have branches in metropolitan areas and in many rural areas across the country. Our employees as our ambassadors do have the ability, then, and have been having conversations with local organizations that they work with, which is also important as well.

Our commitment to this segment is not just tied to the Safe Account. It goes beyond that and we feel it is important it is not about an account. It is about a focus in general. We are committed to financial education through a very robust Financial Genius Program, as we call it, that we have in the bank.

We also have worked hard to make learning about credit engaging. So, we do offer -- which I heard a chuckle. That is actually very true. How do we do that? We do offer access for all of our customers, all of our online banking customers, to a free credit score and a credit score dashboard, which I think is probably the most important part of what we offer, where they are able to go ahead and actually simulate what would happen to their credit score if they were to pay off a loan, for example, or open up a new line of credit. So, that is something that is available to all of these consumers as well. So, just a couple of examples of how this account is really part of a bigger picture of how we look at -- how we service these customers.

So, just in closing, we really appreciate the support of our regulators. It has been key. Our community partners and CFE organizations are certainly very important. Thank you for the opportunity.

MR. MILLER: Thank you. Perfect transition to Jonathan.

MS. HEITMAN: Yes, absolutely.

MR. MINTZ: Liz and I find ourselves in-between a perfect presentation from a great banking partner and the Consumer Research Team. So, we are in tough shape.

MS. ORTIZ: Speak for yourself.

MR. MINTZ: I apparently will.

I am delighted to be back. I really appreciate the opportunity and just a couple of quick reminders and then some updates on how things are going, other than the obvious update of such great news from U.S. Bank.

So, you all will recall we put out these National Account Standards. Obviously, these build on the strong foundation, as the other Jonathan mentioned, of the Safe Account Standards that came out of the FDIC. So, this is a real -- this has been very helpful and I think the FDIC's lessons learned and advice about how to think this through and how to structure it and making it a two-year standard, and making sure that it is up to date and continuing to draw feedback in the marketplace and from our banking partners about the standard has been very instructive and we are pleased about that.

We put together a Bank On National Advisory Board. Many of you were in the room. Any mistakes or inappropriate things I say today are their responsibility. So, just look at those as well.

So, I want to go through and give a quick update. We talked about the standards and the Advisory Board. The Advisory Board has also created two working groups and those working groups have been focusing in on some real important issues that have always faced banking access efforts like Bank On. One of them is data and the kind of sets of data that are useful for each of the different partners in the banking access Bank On world; the kind of data that are useful for banks to be looking at in the way that you heard Lynn talking about, for example, the percentage of customers who are new to the bank and those who are switching accounts; data for Bank On Coalitions to be thinking about the ways that they can measure their own efforts; and data for national efforts like the CFE funds that we can really be tracking. Not what others are doing and taking credit for that but really thinking through what our own goals are.

The second working group, which has

been super important is thinking about how to help Bank On Coalitions structure their relationships with financial institutions. We are humbled and clear that all of this is a set of voluntary partnerships and we want to make sure that those voluntary partnerships are both effective and win-win.

One of the really big issues that I am going to focus in on much more in a moment is this question of data. And we have got some exciting developments on the ways that we think we can help, particularly, financial institutions be able to crow about their good work. So, I am going to come back to that fourth bullet in a moment.

Building local coalition capacity, we have been issuing capacity grants to local coalitions across the country and providing other resources and more to come and really helping coalitions to think through not just best practices on how to be a vibrant coalition with multiple sector partners but also to be thinking about the most effective ways that they can be using those coalitions to not just raise awareness about issue but actually accomplish measurable impact. And so a real focus on capacity building I think is proving important.

It is also a way for us to try to align best practices a little bit. Again, these are local coalitions with local power bases who are volunteering to work together as part of a national community. And I think that one of the things that we have been most excited and surprised by in terms of its strength is how hungry coalitions are to share best practices, how hungry coalitions are to rely upon each other's experiences and to be able to use national resources, particularly like the National Account Standard, as a way of fast forwarding constructive conversations and impact at a local level.

One of our real focus points at the CFE Fund in terms of best practices for local coalitions is thinking about not just how to raise awareness about good accounts but how to actually connect people to good accounts and how to do so at a large scale. Our bias, if you will, is about looking for municipal integration opportunities, places where local government is already touching your target population and touching them with money. One of our most exciting examples that we have been working now with eight cities, thanks to the support of Citi is a program called Summer Jobs Connect, where we are helping cities and learning from cities as they restructure their registration and payment systems of summer youth employment programs and turning them into banking access moments. It is a real shining example, I think, of where one can harness infrastructure and control over program flow and it is also for those who really focus in on the financial education component of banking access. There is no better time, particularly for young people, to be teaching them about how to use a bank account than when you are, in fact, signing them up for direct deposit and having them get their statements and think about splitting some of their salary into savings and very literally real-world opportunities. And so those experiences have been going really well. Since the launch three summers ago of Summer Jobs Connect, dozens of cities have been using this approach. We are very excited about that.

And this is only one of several examples of where municipalities are touching target populations with payment streams and have the ability to strongly encourage direct deposit as the means of getting that money and then being able to confidently say to those who need an account, in order to get direct deposit, we have a set of standards and a set of partners who meet those standards. And we are comfortable playing middle man in connecting you to those accounts. So, we are really excited about that approach and it is working well.

We also you know you can't have a conversation without using the term learning community. We manage a learning community and we are looking forward to our next conference. Rumor has it the chairman has agreed to come speak at that conference and if not, this is a pretty awkward moment. So, we are looking forward to that.

CHAIR GRUENBERG: I think we are good, Jon.

MR. MINTZ: That will get him to the table. So, I think we are in good shape.

So, let me zero back to what I really want to focus my few remaining minutes on, which is the central data reporting infrastructure. And I want to talk about the infrastructure that we are currently building.

So, the basic idea here is that we have got two incredible partners that are going to help us think through and institutionalize how one validates whether or not an account that purports to meet the national standards in fact meets those national standards and then how to give them credit and help them take credit for the great work that they are doing in connecting people into these terrific products.

And so we will be managing a portal by which financial institutions, either through their Bank On partners or on their own, will submit a request for validation or accreditation of this account and the National Consumer Law Center has agreed to be our validator partner. They will conduct an independent review of the account, take a look, and match it to National Account Standards and come up with an objective answer to the question of does this account meet the standards or not.

We are not doing that out of a lack of trust. We are doing that because I think that it is one thing for us to be doing this on a national and even a regional level but our ambitions are broader than national and regional. Eighty-seven or eighty-eight percent is a great statistic but a hundred is always better. And so we really want to help facilitate local coalitions' ability to say to all of their financial institution partners, banks and credit unions, not just national and regional but also local, this is what we are looking for, this is what we are excited about conveying to our residents and we want to make sure that you have got that validation.

So, with the National Consumer Law

Center blessing on the product, we are then thrilled to also be partnering with the Federal Reserve Bank of Saint Louis, who is in the process, as we speak, of building a data portal by which they will be able to communicate with financial institutions who have validated products meeting the standards to be able to accept data, said data being co-created with our Advisory Board and other partners and to be able to then turn around on an aggregate and appropriate basis and to be able to report on the good news on a regular basis about what is happening across the country in a very tangible way on how people are entering and how they are doing at some level on these Bank On accounts.

So, we are really thrilled to have this partnership and look forward to being able to open our portal soon so that we can start to really help validate all the financial institutions that have been coming forward and talking excitedly about meeting the standards.

That's it.

MR. MILLER: Thank you. Liz.

MS. ORTIZ: Thank you. So, I think I would like to pick up where Jonathan Mintz left off and talk about the efforts of the FDIC's Community Affairs staff members to work on the ground with local Bank On coalitions, financial institutions, and in collaboration with CFE to connect individuals and families to bank accounts and a banking relationship.

As an aside, I will point out that both Jonathan and Lynn are pretty tough acts to follow. So, I will attempt to delight the committee members and my moderator by keeping my remarks short and on point so that we can get to questions because I can tell folks have a lot of things they are dying to ask.

So, I am going to touch on three areas: progress that we have made over the past year; how and where the FDIC has been working on the ground during 2016 and what we have learned from those efforts; and where we would like to go from here.

So, let me just quickly describe or recap some of the progress over the last year or

18 months. More banks have added accounts to their product offering that are consistent with the FDIC template and the CFE Bank On standards. Lynn described the U.S. Bank product, now one of ten large national and regional bank product offerings that are available to consumers. This is, of course, in addition to the original group of banks that participated in the FDIC's Safe Account pilot, many of whom still offer that product.

CFE announced its national standard with the San Francisco Mayor's Office and Jose Cisneros' Office of Financial Empowerment last year, almost exactly at this time. And since then, more Bank Ons have followed San Francisco's example and embraced these standards as part of their local programs and are benefiting from their connection to CFE and its capacity building programs. And the FDIC has utilized its resources, mainly, its human capital, our community affairs specialists and managers to work closely with Bank On coalitions in seven locations, as well as in dozens of other communities, where we have been asked for technical assistance by the Bank On Coalition.

As most of you know, the FDIC has a long history with Bank On, since it earliest days, with one of our Community Affairs managers, Eloy Villafranca, spending close to a year or more working with the State of California to support its efforts to roll Bank On out state-wide. This was nearly 15 years ago.

So, our institutional connection and support for this effort is deep and long-standing.

So, what are we doing differently in 2016? Think first, we have identified a handful of cities, seven in total, where we would have a staff member focus his or her efforts to support the advancement of the local Bank On Coalition. These cities, and I am sort of working my way from the West Coast eastward, are Seattle, San Francisco, Denver, Houston, Louisville, Miami, and Washington, D.C. In these cities, our Community Affairs specialists are working with the Bank On leadership, municipal agencies, and nonprofit community organizations to first coordinate bank information sessions, to share the features and benefits of the accounts that meet the CFE standards and inspire others to follow suit.

Second, we are organizing community group roundtables that introduce the groups sometimes to each other, to the Bank On, to the municipal agencies that are participating and to start to develop targeted but integrated strategies for neighborhood outreach.

Third, we convene economic inclusion summits that start with a focus on a banking relationship but then have a broader focus on financial well-being.

So, what does this look like in practice? In Denver, the Bank On Denver program focuses on important outcomes such as opening a safe and affordable bank account but also looks at establishing or improving credit scores, decreasing debt, increasing savings, and establishing regular savings habits. In addition to financial counseling, Bank On Denver has a model that focuses on integration with other services driving towards self-sufficiency, including benefits enrollment, family stabilization services, workforce training, job placement, housing, and other supports.

And it does not stop with a single meeting we are convening. For example, in Washington, D.C. this summer there was an initial bank information session, where we had a dozen banks participating, and is now being followed up with individual outreach meetings with those banks, as well as major employers, D.C. government agencies, schools, and large universities. It is going back to the point that we want to connect the banks, the government agencies to where the clients are.

We are also working to strengthen local connections to the Bank On by leveraging some of the FDIC's existing network of local relationships. So, for example, in Houston, where we have an AEI, Alliance for Economic Inclusion, the Bank On is able to leverage those established connections and the trust that already exists between the banks and the community groups who have been working together for years. This is especially important because in Bank On Houston there is now a brand new leader. So, rather than a new person having to introduce herself to the community leaders one by one, she comes to our quarterly AEI meeting and meets everyone all at the same time. So, in Houston, the Volunteers of America, who has been a Bank On Houston partner and a member of our AEI, has opened 231 bank accounts through its Banking Bootcamp.

And I think it is also important to say that we are not just working in seven places. We have continued to engage in other places and support groups like Bank On South Alabama, Bank On Indiana, Bank On The Heartland, Bank On Savannah.

So, what have we learned? I think first, as Jonathan pointed out, banking programs really need to be integrated into programs that support workforce development, credit repair, financial education and you do have to meet the clients where they are. So, D.C. is a good example. The Bank On has connected with the Summer Youth Employment Program, as well as its TANF Training Program, Temporary Assistance for Needy Families, to connect youth and TANF recipients to bank accounts at the point they are either getting a job or receiving their benefits.

I think it is also noteworthy that consistent leadership over time is always going to increase impact. And so strategies that minimize disruption when that occurs, whether it is at the program level or the municipal level, are important. We have elections. We have staff turnover. Changes are constant. And if you lose somebody who has been in the seat for a long time, you want to be able to have continuous progress and implementation of a program that you have been investing in for many years.

Lynn talked about local bank training and I think that is also very important. Local bank branch training on products, especially new ones, is not always consistent. I think that is no surprise to anybody who has worked in a large or even not so large organization. Messages and priorities don't always flow from the center in a straight line. I can tell you from my own experience, managing a branch, I didn't always promote the products or services that headquarters was championing.

Okay, I have confessed. That's why U.S. Bank efforts to support bank staff training are really important. There is nothing worse than sending somebody to a bank to open an account and they talk to a staff member who has no idea what they are talking about or wants to talk to them about something else.

And I think the other takeaway we have so far is that Bank On coalitions are at different stages of development. There is a saying in the nonprofit biz that if you have met one funder, you have met one funder. Fund raising doesn't scale. Every foundation has its own theory of change, strategic plan and you, as the nonprofit, have to figure out how to align your goals with theirs.

And similarly with Bank Ons. Every

community is different. It is the economy. It is civic infrastructure or lack thereof, the functionality of the local municipality, history of collaboration among the community groups themselves. And at the FDIC we decided that we are going to embrace these differences and learn from them.

So, what we have learned so far. You can start from scratch. So, we have Bank On Miami, pretty much starting from the ground up, had its soft launch in February 2016. It is working with existing Bank On coalitions like Bank On Savannah, Bank On South Alabama, to learn from them. Bank On Miami has worked with Bank On Savannah to get guidance and feedback regarding outreach, marketing, evaluation, tracking, and reporting and it is also developing an effective campaign for promoting the program, as well as garnering the resources it needs to implement full out marketing strategy.

And the FDIC in Atlanta provides technical support to all three of these coalitions.

You can also build on a track record of strong performance. So, as the first Bank On Coalition in the nation, Bank On San Francisco enjoys strong support, CFE, San Francisco Office of Financial Empowerment, and other city and county of San Francisco agencies. It is integrating Bank On into the city and city-wide financial capability programs and integrating Bank On into their workforce development and gaining prevention strategies.

Bank On Louisville is another strong program in its sixth year of existence with a high degree of local support and participation. Louisville Metro United Way, Metro Government's Office of Community Services and Revitalization, Department of Financial Empowerment, Department of Economic Development, they all are providing strong support to Bank On Louisville. And its great partnership, then, allows it to successfully engage in other programs, including the Children's Savings Pilot, Utility Empowerment Program, its partnership with Louisville Water Company, as well as the Louisville Alliance for Development through Diversity, which is a Workforce Development and Financial Empowerment Integration Collaborate.

So, Louisville, having embraced the standards, can take its strong track record of partnership and account opening to another level.

You can also merge two or more programs for broader impact and efficiency. So, FDIC is planning outreach activities with the Bank On Coalitions like Bank On Seattle in King County who is also providing technical assistance to Bank On Washington, which intends to support smaller Bank Ons throughout the entire state.

So, looking head, I think we see benefit from our on-ground efforts and plan to expand and continue them. And of course, we really do welcome your input on where you see high need and opportunity for this work.

We can see a range of strategies for success and, as these crystalize, we can spotlight and share them. And again, we welcome ideas on how to do that most effectively.

And finally, I think we look forward to continuing our partnership with CFE and financial institutions to promote access and to expand economic inclusion.

And with that, I turn this back to our moderator, Jonathan Miller.

MR. MILLER: Thank you all very much. Three terrific presentations and the floor is yours, Bruce.

MEMBER MURPHY: First, let me commend this bank for both its courage and choice. What you are providing is not only needed for low- to moderate- income people but if people really understand what that product is, it is a mass market product as well.

And where we have a similar product, we were surprised at the breadth of interest in this kind of a product because it gives clients choice and control. And when you give clients a choice and control, then the fear of losing fee income starts dissipating. So, that is one of the reasons why lots of folks choose not to go down this path is the fear of fee income.

So, again, I just want to commend the U.S. Bank and work that you are doing because in fact, it is truly going to make a difference.

MR. MILLER: Thank you. Why don't we just -- can we just do this? Bob.

MEMBER ANNIBALE: Thanks. Again, I congratulate you. And I think it is really important for U.S. Bank because as a whole geography, also I think the needed coverage of an account throughout, I guess you are from the west, the whole West Coast into the Middle West, and it will make a big difference, especially in California and some other states where it is patchy. And we have learned a lot and we are happy to share whatever we can with you.

And to Jonathan and others, I think the idea, Jonathan, now that we have Law Center to be able to provide a sort of certification or due diligence, which is probably a useful tool as well.

My only other thought was for some of the other national banks, at least in my conversation with them, in terms of reporting, as we have talked about, many of them, because this is national platforms, local reporting is not always as easy as it may appear. And then you may be hesitant to try to build that out. So, we need to be able to think about what level they report and to whom they report.

Obviously, there has always been an issue of how many questions there are to report at municipal levels, kinds of cuts of data, and some municipalities have asked for many forms of data at that level, as you know in New York, and that has not always responded well.

So, try to think with you about how to make it a positive thing for people to report to. And of course, any carrot that can be there for them to do so, in terms of recognition or otherwise.

MR. MINTZ: I certainly agree with you. I think that one of the benefits of a central reporting infrastructure is, in part, a way to help, particularly the larger financial institutions, not have to keep reinventing or re-cutting the wheel every time they are trying to show their stakeholders how they are doing. So, I definitely agree.

MR. MILLER: Michael.

MEMBER BARR: I may have broken your mike. There we go, I think.

MR. MILLER: Yes, that should work.

MEMBER BARR: So, first of all, let me just join the other panelists in saying thank you for both the thoughtful presentations but, much more importantly, the thoughtful work that actually is going on in the ground that underlies the presentations, which is really terrific. There has been a lot of progress.

And I am very excited, Jonathan, to hear about the idea of the data collection being somewhat of an empirical nerd and would love to see a lot more research done not only on what the measures of output are, in terms of products, but also outcomes in terms of behaviors and savings and changes in peoples' lives. So, I think that is an important measure.

I want to say one maybe impolitic word about the context that this is going on in, which is we obviously had a major financial institution rightfully lose the trust of many of its customers recently. And I think that is an important context for thinking about here we are as a committee working on trying to develop safe accounts and there is a lot of unsafe activity going on that is reducing trust in the financial system, reducing people's willingness to come into the financial system when they see that kind of conduct taking place. And I think we need to work together to think about the appropriate way of sort of working in that context, knowing that it is there.

I think it also goes to Bruce's point about the need for enhancing choice for consumers. And one of the things that I think the committee ought to think about in terms of policy issues is how to give people better ownership of their own financial lives that lets them switch institutions from institutions that they don't trust to institutions that they can and should trust. And that involves some technology changes in the banking sector and it involves some policy changes in the federal government I think we ought to think about as a committee.

MR. MILLER: Thank you. Interesting. Ted?

MEMBER BECK: Just following on, very encouraging presentations. Thank you. It is very good work. And I want to stay on the data piece for a second.

Jonathan, you mentioned the support of the Youth Employment Programs, both in education and using that as a vehicle for industry. Are you aware of anywhere where they are tracking what they are doing and not only as far as what education is being provided but also are accounts being retained after the program finishes?

Our data tells us the three most positive things, points of influence for young adults where we see good behavior are one, parents; two, education; and three, having had a part-time job. If you are tracking the data, I think that would be incredibly valuable and if not, I am wondering if that could be done.

MR. MINTZ: Yes, that is a great question and I would love to talk to you more about this. There is no question that from the beginning the standards that we used, our city partners used in partner with banks, had to first take on this question of dormancy because, particularly for this population, it was often a job experience and a direct deposit flow that was going to stop at the end of the summer. So, that was really important.

We do have some aggregate data from some of our banking partners across Summer Jobs Connect about activity in those accounts and how they are doing. Some folks come back in the next summer and so that was another way of sort of reenergizing their use of the account.

In some ways, Summer Jobs Connect is a perfect example of what we mean by banking integration. In other ways, it is one of the most difficult approaches because you are dealing with youth accounts and 60 percent of summer youth employment folks are under 18. So, you are dealing with even extra difficult issues regarding youth accounts and you are dealing with this variable of flows of money.

That having been said, I think those lessons are important and I think that the success in uptake, and then in use of those accounts is helpful. We are now about a year and a half in to when people started direct depositing through our city partners. So, that data is just beginning to come in. But let's stay in touch.

MR. MILLER: Kelvin?

MEMBER BOSTON: Two quick questions. One, Elizabeth, you mentioned Volunteers of America, I think, in your report, and opening up 200 accounts. I think they have an older population that they work with. Could you give us a little bit idea of the type of accounts they open and for whom?

And then Jonathan, you mentioned you had some capacity grants that you are giving out to nonprofits or partners. If you can talk about that.

MS. ORTIZ: Yes, so on Volunteers of America, I don't have the information regarding who the accounts were opened by, whether they were older people or younger. I don't have that information. I can certainly follow-up and get that for you. I think the point of that example is to just say that you can, by working with FDIC and through the AEI, we gave the new leader of the Bank On Houston fast access to a whole network of community partners that were poised and ready to be working with the populations that we were trying to reach and connect them to the bank accounts. We can certainly follow-up and get you the information.

MEMBER BOSTON: Do you know why they were participating? You don't think about Volunteers for America with Bank On, per se. I was just trying to see if there was a --

MS. ORTIZ: Well you know it is interesting. I mean they might not have been who you would typically think of as being part of a

Bank On but they are who typically participates in our Alliances for Economic Inclusion, which casts a wide net of community stakeholders and don't just work on things like opening bank accounts but really have an agenda that is based on the members themselves that is a function of the needs of the local community.

So, and I think that is just another example of how working together we are able to leverage each other's experience and networks and expertise to continue to advance this effort forward.

MR. MINTZ: And to your other question real quickly, we have a Bank On Capacity Grant Fund. We are issuing grants of up to $10,000 to Bank On Coalitions across the country. So are, we have issued just over two dozen of them and are hoping to issue dozens more.

And this is a way of not only supporting efforts but really helping to build in interwoven community and those are going well.

In addition, we have really taken notes

from the FDIC's approach to zeroing in on cities where you really think you can develop strong models for others to learn from. And so if I can charm my way into coming back sometime I want to talk to you about a fellowship program that we are putting together. We are going to invest even more in a certain number of cities to really build out A plus examples of what Bank On Coalition leadership can accomplish.

MEMBER BOSTON: Then what do you use the funds for or are there criteria?

MR. MINTZ: We are pretty open to the approach. As Liz says, I agree again, Bank Ons have different priorities and different approaches. Some are spending it on communication. Some are spending it on convening opportunities. Some are spending it on different ways of trying to facilitate account opening opportunities. And we are really writing a check based upon them being in the right ballpark in thinking through how to connect people to appropriate accounts and looking to learn from how they can spend the money and how it will be useful.

I think for some Bank On Coalitions, $10,000 is a surprisingly large amount of money and we are really happy to be able to be helpful there. With others, it is really more about the connection and not so much about what that cash can help them do that they might not have otherwise been able to do.

MEMBER CISNEROS: Hi. Well, as I think most people here know, ten years ago we launched the first Bank On program in San Francisco. And thank you, Liz, for commenting on many of the accomplishments we have made during that time and remember the modifications and new approaches we are taking towards the system in that time.

You rightly commented on a number of the issues around sustainability, keeping the energy and the participants engaged is always an item that we need to be vigilant about.

But I do want to also echo the comment that you made that we have gotten a lot of support both from the FDIC locally in San Francisco, as well as the local Federal Reserve Bank office as well. So, I encourage every city and group working on programs like these to reach out to great local partners like that.

I also want to mention that in respect to U.S. Bank, the U.S. Bank was one of our founding partners in the Bank On San Francisco program. And for ten years, you have been a strong partner in that program. Thank you very much. I can't be more excited than the fact that now we will be repositioning our program, focusing of course on Safe Accounts, and to be able to have U.S. Bank in that set of offerings as well is going to be a huge success for us going forward. So, thank you.

But the thing I was really struck by and this hearkens back to what we saw as much as ten years ago was the role of, as you call them, bank ambassadors. I really do think that that speaks volumes to how important all the various partnerships and players in these Bank On programs really make a difference.

In San Francisco and in almost all the Bank On cities, we use the city's voice to tell people the value of having a bank account and putting their money in a safe place and avoid getting ripped off by check cashers or worse. But while we send them in the door, it is important that someone is there to greet them when they walk in and greet them with the right message, the right account, the right kind of support and education and information. And it is those ambassadors that they run into in each of our partner banks and credit unions that really end up making this program a success. So, thank you for highlighting them and building, hopefully, a huge team of ambassadors all across all your markets because we will take advantage of them everywhere we can and see if we can benefit more folks.

And then lastly, to Michael, a point you brought up about the news we have been hearing of late about bad practices and actions by a major bank in this country. It really hearkens me to think about we have spent an incredible amount of time and had huge success in creating standards for Safe Accounts. I wonder if we don't need to put our heads together and think about safe banking practices. And maybe we need to have some standards or a threshold there that says we need to see appropriate practices and ethical practices occurring in the places we are going to send our neediest members of our community to make sure that they are not going to be preyed upon in a different way.

So, I will put that out there to everybody in this conversation and hope we can focus on that in the future.

MR. MILLER: Thank you. Martin?

MEMBER EAKES: So, I wanted to make a comment and then ask Lynn a couple of questions.

The comment is to look at what the changes have been in the industry over the last ten years. In 2005, virtually no community banks and credit unions did overdraft fees but the large banks almost to a bank did and promoted them. And they did practices such as ordering checks, things that would maximize the fee income on customers.

So, I feel like particularly with U.S. Bank and Citi, Bank of America, some of the large banks, we have made a lot of progress in the last ten years. On the other hand, our smaller institutions are now more reliant on overdraft fees than they were in 2005. So, it is a real seesaw event that is just confusing, in some ways.

U.S. Bank I wanted to say, we know you in the Southeast. You are one of the largest investors in New Markets Tax Credit projects that sort of low-income census tracks. Even though you don't have a branch network, we know you and appreciate you. And I think this product is really quite terrific.

My two little questions are to ask you to explain a little bit more of what the standard deposit and the deposit plus is because I don't quite understand it.

And then secondly, when you have bill pay, is your bill pay, which is free, which is not easy to pull off, is it integrated real-time into the account so that it is not possible for someone to issue a check or a bill pay if the funds are not in the account?

MS. HEITMAN: So, good questions. The deposit point and deposit, they are product names for mobile deposits. That is, in essence, what they are.

MEMBER EAKES: Only mobile.

MS. HEITMAN: Only mobile deposits, correct.

The question on online bill pay, it is same day not real-time. So, that is important to understand. There is that slight chance that something happens throughout the day where things get out of sync. But I think same day is the best that the system can do at this point time and that is something that we are watching. It is the reason, exactly, though, why we are restricting recurring and future-dated payments for that exact reason.

I think we have seen a lot of advancements in the payment system, which, as my comment about why does it take several years to design a product like this, I think the advancement of the payment system, I think the move to more real-time payments across the entire ecosystem is going to also help exactly what we are talking about here as well.

MEMBER EAKES: If you have a lag of a day, does that mean that someone could have a bill pay and then funds go out of their account so you could be in an overdraft position? What is the downside that you see?

MS. HEITMAN: The chances are very slim just because of the way that the process works and the connection between the systems and the check going out. But there is the potential and it has more to do with -- less about that particular transaction than all of the other transactions that are occurring in account throughout a day that may post that weren't visible in the account, if that makes sense.

So, I think that is why it is important that we continue to push for that same day and that real-time process.

MR. MINTZ: I just want to jump in super quick. I wholeheartedly agree moving to same time processing obviously will be hugely helpful. But I also have to give U.S. Bank a lot of credit because even the identification of a possible window where an account can be overdrawn doesn't bring the policy choice of the bank to say and we will punish you if that happens.

And I think that that is huge. And so when we have these conversations with financial institutions around the country who are looking to move to the standard and they identify this potential gap in timing, the answer doesn't have to be well, we will have to charge them, which raises all of the trust issues and the cost issues that it kept people out of the banking system for so long.

MEMBER EAKES: U.S. Bank has made policy choice to say this is the risk that we are bearing, not the consumer, and we don't think the risk is all that great.

MS. HEITMAN: Exactly right. Exactly right. And I think there is an awful of learning to come from it and I think that is where we go from here. And that is one thing that we are certainly watching on the accounts that we have booked and the accounts that are going negative in their balances and it is at a much smaller rate than our traditional accounts, which is exactly what you would expect and it is at very, very small dollar amounts.

MEMBER EAKES: It's really terrific. Thank you.

MR. MILLER: Andrea.

MEMBER LEVERE: I will be quick. I know we are at time so thank you all for a great panel.

Lynn, I have two questions for you, which is I know it is very early in looking at the data you have collected. But one of the things that we have been able to do is take the unbanked and underbanked data of the FDIC and take it down to very local levels, at the city level, at the metro level, and then at the state level. And this extraordinary range of who is unbanked and who is underbanked, have you noticed any geographic patterns in the uptake in the accounts or the lack thereof? Because you have very different footprint from a lot of the other banks that we have worked with.

MS. HEITMAN: Right.

MEMBER LEVERE: And then the second question, very quickly, is we are also very interested in the connection to statements and how you incent people to make that connection in a very institutional way.

MS. HEITMAN: Right.

MEMBER LEVERE: So, any thoughts or anything you've learned?

MS. HEITMAN: So to your first question, we have not looked at geographic differences yet. We are, in essence, past our first month-end. So, as much as I keep asking for more reports, and more reports, and more reports, and everybody keeps rolling their eyes at me. We will have certainly more access to that information over the coming months. And the geographic look is something that is very critical.

The savings connection, I completely agree. I think that is critical. As we talk about what's next, and again, I talked about the big picture and that this is one piece of how want to serve this segment, I think the financial education, the savings connection, and there are different things that we can do there, are all things that we have on our roadmap that that we are having a discussion about. So, very good point. Very valid point.

MEMBER MCCOY: Jon, are we out of time?

MR. MILLER: No.

MEMBER SWAGEL: These questions over here are not -- no speeches but --

MR. MILLER: No, no, no. I understand. We are going to --

MEMBER MCCOY: Very briefly, I am thrilled with this product and especially pleased about the free credit score and the simulator. I think that really help people get in control of their financial future.

I was curious and then I am sure one of the challenges is locating unbanked people to sell them this product. I was curious what thoughts U.S. Bank has for trying to connect with these people.

MS. HEITMAN: Yes, that is a very good question and I think it is very much one-on-one. It is all about the local connections that Liz talked about, which is why the biggest part of our launch plan, besides employees, educating employees, was reaching out to over 100 community organizations in the markets that we serve.

For a consumer to have confidence and comfort to be able to walk into a branch and inquire about a product like this, I think that connection and that relationship that they may have with those local organizations is going to be critical. I think that is really where we are going to be most successful and that is really where we focused our energy.

MEMBER MCDONALD: I think the report that you have given is quite interesting in a number of different ways. And my observation and question to Jonathan and Elizabeth is that the FDIC has done a lot of work with bringing with these new accounts over the years.

Do you keep a running total of the number of cities of communities that the Bank On program is operating, number one and number two, an estimated number of accounts?

It would be interesting to track and to publicize because I think those numbers are huge and it is a program that the FDIC got onboard with early on in the process, recognizing the need for the unbanked and underbanked. And I think it is a number that we need to publish, keep track, and it would encourage more banks to begin looking at quote the Safe Account and things of that nature because it is a building block for other things to come with the whole electronic banking world. And it is just something I have thought of as I sat here listening to the report.

MS. ORTIZ: That's a great question and since Jonathan manages research and they are responsible for data, I will let him respond.

MR. MILLER: Nice to have a colleague like Liz.

So, this is something we have struggled with all along. We have not asked banks to report the numbers of accounts. We will, from time to time, get voluntary reports. I mean Bob has been pretty forthcoming on the activity at Citi on their access account. It is just hard, as you know, in a broader context of concerns about regulatory burden, asking banks to report just becomes very difficult to do.

I think we probably have a better sense of the numbers of Bank Ons that are going on around the country and where we have activity and so forth. And that is probably the kind of thing we could get you but we have not been able to count the accounts, although, again, I think that is part of the portal of the Saint Louis Fed that Jonathan is talking about.

MEMBER MCDONALD: Yes, I'm not trying to put anymore regulatory burden on the banks. But I just thought it would be an interesting piece for us from the FDIC personnel who is out in the field pushing Bank On, they can perhaps give you a pretty good number to the number of banks participating in the program.

MS. ORTIZ: Absolutely.

MEMBER MCDONALD: And you could extract, perhaps, some numbers just to have an idea as to how successful the program is.

MS. ORTIZ: In the spirit to say that Jonathan Mintz and I are sort of collaborating in that effort, not only just counting the number of Bank Ons as well as the number of Bank Ons who are affirmatively embracing the standard as part of their efforts, I think that is number one.

I think number two it is not just counting accounts because ultimately, what we are interested in is a sustainable relationship with a financial institution that goes beyond a safe affordable transaction account but encompasses savings and access to credit and so forth.

And finally, I am going to turn it over to Jonathan Mintz because I do think the effort that they have undertaken to kind of have a foundational relationship with the Saint Louis Fed and start to have standards for data collection and then the opportunity to start to report that information out has the opportunity, I think to both share information and support good research in this area about what works, what doesn't work, where it is happening, where it is not happening. But also once you have that out there, I do think you start to get some momentum around having other people want to participate in that. And hopefully, it builds up its own momentum and will continue on from there.

MR. MINTZ: Yes, I would just add super quickly. I mean you have asked the question -- exactly the right question that I need to be able to answer as well. And you know right now I would say that there are probably 50 active Bank On coalitions in the country and another 50 to 75 coalitions at some level of activity. We are hoping to bump those numbers up but that gives you some sense of the array of existing coalitions right now. Each have a number of partners and each are in a point of transition, even among the narrow two dozen plus coalitions that have embraced the national standard, each of them is in a process of working with their financial institutions to move them into offering these accounts.

So, this is a very much a process but our eye is exactly on being able to answer that question.

MR. MILLER: Great. Other questions? Phil.

MEMBER SWAGEL: Okay, sure. Thank you. I had two questions and I think the second might be safer later in the afternoon.

The first was just a follow-up. I had the same question as Martin the deposit point. And it just seems striking that if I understand the sheet right, if you walk into a branch, it is free to deposit your money but if you use your phone that it costs -- it is not free.

So, am I misunderstanding and what is the thinking behind that? We had really nice presentations here on mobile banking. So anyway, it is just a question.

The second -- maybe I should just ask the second question. The second question is almost to say this is really great. And so I echo everyone else's thoughts. I almost feel like once the customers are in or once the underbanked get connected, the almost harder job is to make the system continue to work for them. And here I am thinking when really bad situations happen like fraud and if someone's paycheck doesn't show up in their account say like what is going on, is it my employer, is it the bank, at what point is the fraud?

And so I guess my question is maybe for Jonathan, for everyone, is who then helps the person who, the customer who probably doesn't have a lot of knowledge, might not even know to go to the CFPB but, of course, for many institutions CFPB by statute can't do anything for the smaller institutions. So who then helps sort of the next step of making a system work and dealing with fraud?

MS. HEITMAN: So your question on deposit point, so the fee that we charge for mobile deposits is a charge that we have on all of our checking accounts. And I definitely hear what you are saying. It is a product and a process that we are looking at and evaluating on a regular basis. Any change we make to that fee will be made across the board to all accounts at the same level.

I know you didn't pose the second question to me but I am going to just throw a couple of comments in there on that as well.

MR. MINTZ: It saves me the trouble of throwing it.

MS. HEITMAN: There you go.

I think a lot of what we have talked about here and I have heard it in some of the comments is it is about that relationship and it is about that consumer getting comfortable with the banking system in general and the banking system can't just be their mobile phone or that online website. We feel very strongly, as an organization, that it is the relationship that we have with the customer on a personal level.

We provide all of that electronic access for convenience but we want the consumer to establish a relationship with their local office and with their local bank. And if that payroll check doesn't come through or they see fraud on their account, they have a comfort level with the first person they can call is that person in the branch.

So, that is how I would look at that as well.

MR. MINTZ: And I would underscore that. I mean I think of this in concentric circles. The goal of Bank On is to forge those connections and that is where you want the relationship to be and you want it to be a standard primary relationship.

But in addition, as Jose mentioned earlier, part of the beauty of Bank On Coalition's playing a facilitator role in these connections is also the ability to help troubleshoot. And one of the big lessons that we learned from San Francisco's experience was how critical it was for them to have the kind of ambassadorial relationships with their branches so that if that primary relationship wasn't perfect, there was a place for people to go, a second place for people to go to be able to raise a flag and ask for help.

MEMBER SWAGEL: Yes, thanks. That seems really, really important.

CHAIR GRUENBERG: Just if I can make one observation, this is a perfect lead-in to our next panel and presentation of the Household Survey results, which I think have a number of genuinely interesting and enlightening findings that will generate a lot of discussion. I'm pretty confident about it and almost all of it in a positive direction.

Second, I am really struck at the value we are beginning to see from sustaining this effort over a period of time. And it is really nice to see from our standpoint, starting with the survey in getting to develop information about the issue, working with this committee developing a concept around a low-cost safe transaction account, seeing that worked through, and then picked up by a number of major financial institutions to expand access and now, in effect, with the Bank On having a mechanism to push that even more broadly into communities around the country and then having continuing efforts both on the research side and on the implementation side.

If I may say, Lynn, I think what you laid out in terms of U.S. Bank's implementation here in which you are integrating your low-cost debit accounts into your menu of products, training your staff so that they actually understand the product and are able to explain it to customers, collecting the data from the outset on your experience as you develop it, and then making it available both through the branch and then in the near future online is really a model of both how to present and market the product that I think has a lot of value, in essence, for other institutions.

So, the ability here to stay with it in the longer run, I really feel as if we are beginning to make an impact here in a meaningful way and that is just terrific.

So, I want to thank you all and I will let you proceed.

MR. MILLER: I thank you very much. Let me thank the panelists for terrific presentations and a great discussion and we will get ready for the second panel.

(Whereupon, the above-entitled matter went off the record at 10:17 a.m. and resumed at 10:19 a.m.)

MR. MILLER: All right. So, as the Chairman mentioned, he's going to be absent for this panel. So, we are going to launch into the next one.

And I going to turn it over to Karyen Chu to start the next presentation.

MS. CHU: Members of the committee, we are delighted to be here today to present results from the 2015 FDIC National Survey of Unbanked and Underbanked Households.

As most of you know, the survey is conducted as a supplement to the Census Bureau's current population survey and it has been conducted every two years since 2009. We used the survey to measure household participation in the banking system and household use of nonbank financial services. With each administration of the survey, we make revisions that try to balance maintaining measurements that are comparable over time with adding new measurements that broaden and deepen what we know about unbanked and underbanked household's use of a wide range of bank and non-bank financial services.

In the 2015 survey, we added many new questions that we believe allow us to paint the most comprehensive picture yet. This survey is an undertaking that could not have been accomplished without the hard work and dedication of an entire team of researchers, whose names we have listed here.

I have with me today on this panel the three lead authors of the report, Ryan Goodstein, Alicia Lloro, and Jeffrey Weinstein, who will present to you our key findings from this report.

It is my pleasure now to turn the microphone over to Ryan to begin the presentation.

MR. GOODSTEIN: Thanks, Karyen and thanks to the committee. We are really grateful for the opportunity to present the results of our work.

Before we dive in, let me just sketch out the plan for the talk. I'm going to spend some time talking about banking status for U.S. households, really focusing on unbanked and underbanked rates across the U.S. population and differences across the population and some of the factors that are associated with that. I will then turn it over to Jeffrey Weinstein, who is going to talk about first banked households and the methods that they are using to access accounts, use of prepaid cards, as well as saving for unexpected expenses or emergencies. And then Alicia will finish up by talking about -- I'm sorry, Jeffrey will also cover use of alternative financial services and then Alicia will finish up by talking about use of bank and nonbank credit and how households conduct financial transactions in a typical month.

Okay, so diving right in, this chart on slide 14 -- I will try to read the slide numbers out so those of you with your --

MR. MILLER: The slides are in your packet, too, if you want them. Save your necks.

MR. GOODSTEIN: I'm sorry, slide 4 or 14, depending on which -- 4.

Okay, so this chart illustrates the trend in unbanked rates over time for the U.S. population. So, in 2015, seven percent of households in the U.S. were unbanked. This works out to about 9 million households. This is good news in the sense that it is a lower unbanked rate than any that we have found in the four years of our survey. Relative to 2013, it was a decline of 0.7 percentage points. And of course, some this decline, as expected, can be attributed to changes in the socioeconomic conditions facing households. About half of the decline can be attributed to this but the remaining decline is still statistically significant. So, it suggests that there is something else sort of above and beyond just general economic conditions that are driving this.

In terms of underbanked, just a quick refresher. In this report when we are talking about underbanked households, what we mean by that is that the household has a bank account but that it has used one of these alternative financial services in the last 12 months.

So, in 2015 and 2013, the definition was the same but in 2011, slightly different because we didn't ask about auto title loans in that survey.

So, this table summarizes overall banking status by year for the population. So, in 2015, as I said, 7 percent of households in the U.S. were unbanked, 19.9 percent were underbanked, 68 percent of households are fully banked, which means that they have a bank account and they did not use any of the AFS products in the last 12 months. And then the remaining 5 percent are banked but we didn't have enough information to be able to categorize the household as being underbanked or fully banked.

And as you can see, just by looking up the second column, the underbanked rate in 2015 was actually quite similar to 2013.

So, there is a lot of detail in the report, looking at differences across the population. Generally, the patterns are similar to what we see in the past in the sense that certain segments of the population, lower income, households with lower educational attainment, younger households, households with disabilities, certain racial and ethnic minorities have higher unbanked and underbanked rates and that holds true in this year's set of results.

We do see that reflecting in the national trend we see declines in the unbanked rate, across all these segments or almost all of these segments, I should say, and the underbanked rates, changes in underbanked rates were actually somewhat mixed. So, as I said, there is a lot in the report but just to sort of highlight this, we will focus on just looking at differences by race and ethnicity.

So, this is slide 8. So, just to help you digest this chart, on the farthest to the left, this is the unbanked rates for black households. The light blue bar indicates that 20.6 percent of black households in 2013 were unbanked and that number fell to 18.2 in 2015, too. So, you had a fairly substantial decline there. Similarly for Hispanic households you see a decline.

As I said, it is not universally true. So, in particular, it is somewhat puzzling to see that among Asian households we actually see an increase from 2.2 to 4.0. Of course, the overall unbanked rate is quite low among this group but the fact that there is an increase is interesting and worth looking at it in more detail.

Underbanked rates, as I said, they are mixed. So, again, focusing first on looking at the black households, 33.2 percent in 2013 of black household are underbanked by our definition. This declined to 31.1 percent in 2015. So, actually quite striking. The fully banked rate for this group increased from 40 percent to about 45 percent. So, that is a pretty substantial increase for that period.

Hispanic households are actually fairly similar across years, across the survey years and Asian households you see an increase in underbanked rates as well.

So, let's move on from there, looking now at geographic patterns. So, this is not a map of -- this is not the electoral map.

MR. MILLER: Actually it is.

(Laughter.)

MR. GOODSTEIN: I have no comment on that.

Okay, so the way to look at this map is that the darker the shade of blue, the more unbanked the rate is, relative to other states. So, similar to past years you see that states in the south have higher rates of being unbanked compared to others.

Patterns are fairly similar in underbanked rates in the sense that they are higher among the south but a little bit more disparate across the nation in terms of where we see higher rates of being underbanked.

Okay, so turning now to look at underbanked households -- I'm sorry, the population of households that are unbanked. Just as we have talked about in past reports and was mentioned in the previous panel, we know that bank account ownership is not static and certain households sort of come in and out of the banking system over time. And just as we have seen in past survey results, almost half or roughly half of unbanked households have had a bank account at some point in the past.

In the 2013 survey, we did a lot of work looking into transitions in and out of the banking system. And one of the key points that we found was that for exits out of the banking system, a big contributing factor to that was shocks to income.

So, either job loss or other shocks to employment, that kind of thing.

So, motivated by this and also other research in this area, we added a new question to the 2015 study asking households to describe basically the way their income -- describe their income over the past 12 months.

So, of the households in the U.S. in 2015, roughly 71 percent or 72 percent said that their income from month to month was about the same over the past 12 months; 16 percent said that income varied somewhat from month to month; and 4.5 percent said their income varied a lot from month to month. So about 20 percent of households, a little more than 20 percent of households in the U.S. have some volatility in their income. And this distribution is actually fairly consistent when you look at income levels. So, even among higher income households you see some volatility as well.

And this is interesting because, as you may expect, you might have expected to see we find that income volatility is associated with increased rates of being unbanked and underbanked. So, looking at the top part of this chart, among U.S. households whose income varied a lot from month to month, that is the dark blue bar at the top, the unbanked rate was 12.9 percent. So, that is a little bit more than double the unbanked rate among households that had income that was about the same from month to month.

And similarly, when you look at the underbanked rate, you see a higher rate of being underbanked for those households with income that varied along or somewhat from month to month, compared to those who had income about the same.

And what is interesting about this is this is not just a story about lower income households. We actually see this at different ranges across the income spectrum. So, just to illustrate this, there is a lot on this chart. I will just try and walk through it briefly.

So, each group of three bars is a different population based on their annual income level. So for example, the third from the bottom where it says $30,000 to $50,000, what this says is among households in the U.S. that had income from $30,000 to $50,000 over the past year, those who had income that varied a lot from month to month, 8.5 percent of those households were unbanked compared to households at the same income level, $30,000 to $50,000, whose income was about the same from month to month, their unbanked rate was about 4 percent. So you can see sort of at that modern income level, we see an effect. And that same pattern you see across, again, across all levels of income.

I am not going to show you here, just in the interest of time, similar patterns for underbanked rates as well. So, across the income spectrum, you see an influence of volatility above and beyond income level and other factors.

Okay, so just as in the past studies, we have looked -- we have asked unbanked households for the reasons why they did not have an account. And the results from these questions are similar to what we found in past years. The most cited reason for not having an account in 2015 was that the household simply said they do not have enough money to keep in the account. And 37.8 percent cited that as the main reason of all these reasons for why they do not have an account.

So, other widely cited reasons you can see include avoiding a bank gives them more privacy, although somewhat interesting, 28.5 percent cite that as one of the reasons but only 3.4 present cite that as the main reason.

We have heard a little bit about trust in banks and trust certainly plays a role. Twenty-eight percent of households that don't have an account say that one of the reasons why is that they don't trust banks and almost 11 percent say that that is the main reason why they don't have an account.

Other factors, of course, are account fees, whether the fact that -- I should say that some unbanked households say that unpredictable or high fees are reasons why they don't have a bank account.

We have another new question in this year's survey and this is trying to get a sense of just household perceptions about banks. So, specifically, the questions asks households for their perception how interested are banks in serving households like yours. And so they can answer very or somewhat, not at all, or they could basically not answer it.

So, just looking first at the top bar shows that if you look at the dark blue segment of that top bar, 76 percent or 76.6 percent about three in four households thought that banks were very or somewhat interested. But strikingly, the proportion among the unbanked is really quite a bit lower. So, only 31 percent of unbanked households thought that banks were very or somewhat interested and 55.8 percent thought that banks were not at all interested in serving households like theirs.

Also of interest is actually the differences between underbanked and fully banked households are not that great. So, about 80 percent of underbanked households thought that banks were very or somewhat interested, compared to 84 percent of among fully banked.

Okay, so with that, let me hand it over to Jeffrey.

MR. WEINSTEIN: All right, thank you Ryan.

So what I am going to discuss now are for bank households methods used to access bank accounts. And moving to slide 19 in the packet.

So as in 2013, we asked banked households the methods they use to access their accounts. Households could choose among bank tellers, ATM kiosks, telephone banking, online banking, mobile banking or other. And so what this graph shows is it shows the light blue bars are methods used to access an account in 2013. The dark blue bars are for 2015.

So, for example, if you look at the first row for bank teller, about 79 percent of banked households that accessed their account in the past 12 months for 2013 accessed their account using a bank teller and for 2015 about 76 percent of banked households accessed their account through a bank teller.

If looking down towards the bottom for online and mobile banking, we see from 2013 to 2015 there were substantial gains in online and mobile banking. So, online banking in 2013, 55 percent of banked households accessed their account through online banking in 2013 compared to 60.4 percent in 2015. And for mobile banking, the increase was from 23 percent to about 32 percent.

And so we can also see looking at the first row for banked tellers, the slight decline, bank tellers were still widely used. So even in 2015, about three out of four banked households accessed their account through a bank teller.

Okay so as in 2013, we also asked banked household which method is the primary method used to access their account. And so what we can see here, if we look at this graph, we see that well in 2013, approximately the same proportion of banked households used bank tellers and online banking as the primary method of account access, 32 to 33 percent. Online banking now exceeds bank tellers. So, we can see that 37 percent of banked households use online banking as the primary method of account access, versus about 28 percent of banked households in 2015 use bank tellers as the primary method.

That is one observation. Another observation is that mobile banking also increased substantially. So, in 2013, about six percent of banked households used mobile banking as the primary method of account access compared to about ten percent in 2015.

So the next section I am going to talk about is use of prepaid cards. So as in past years, we have asked households about their use of prepaid cards. And so from 2013 to 2015, the proportion of households that used prepaid cards in the past 12 months increased from 7.9 percent in 2013 to 9.8 percent in 2015. Those are the national estimates. We see that the growth occurred broadly across socioeconomic and demographic groups. Almost all of the socioeconomic and demographic groups analyzed in the survey had growth in prepaid card use from 2013 to 2015.

As in 2013, looking at use of prepaid cards across the population, prepaid card use varied by household characteristics. For example, prepaid card use was higher among lower income households, less educated households, younger households, black households, and working-age disabled households.

As Ryan discussed, in 2015 we asked a new question about income volatility and we see that income volatility is associated with higher rates of prepaid card use. So, looking at the graph here, 15.5 percent of households with income that varied a lot from month to month used a prepaid card in the past 12 months in 2015. And if we look down at the bottom in the tan bar, among households whose income was about the same each month, 9.2 percent used prepaid cards.

And so this, for the overall sample, this pattern held at all income levels.

Okay so slide 24 presents prepaid card use by banking status and year. And so we see, looking at these bars, between 2013 and 2015, prepaid card use increased substantially among unbanked, underbanked, and fully banked households.

So, looking at the first two bars for unbanked households, about 22 percent of unbanked household used prepaid cards in the past 12 months in 2013 compared to prepaid card use among unbanked household of 27 percent in 2015.

So, there was an increase for unbanked households. There was also, as I mentioned, an increase for underbanked and fully banked households.

Again, if we just look at 2015 by itself, prepaid card use remained most prevalent among unbanked households.

So, the next section that I am going to talk about is saving for unexpected expenses or emergencies. And we are on slide 26. Okay, so this was a new set of questions for the 2015 survey.

So, the 2015 survey included new questions on whether households saved for unexpected expenses or emergencies in the past 12 months, as well as the methods that they used to save for this purpose.

And so we see the overall national number is that 56.3 percent of households save for unexpected expenses or emergencies in the past 12 months.

So, what does this mean in terms of how we ask the survey question? These households set aside any money in the past 12 months that could be used for unexpected expenses or emergency, even if the funds were later spent. And as part of the question, households were prompted to considere only funds that could be easily spent, if necessary and not retirement or other long-term savings. So, again, really, the focus here is saving for unexpected expenses or emergencies.

In terms of looking across the population, rates of saving for unexpected expenses or emergencies varied by household characteristics. For example, savings rates were lower among lower income households, less educated households, black and Hispanic households, and working-age disabled households.

And just to give you an example of some of the magnitudes by income, looking at the next slide, 27, the differences in savings rates by income were especially pronounced. So, we can see looking at the left-most bar, 30.8 percent of households with income of less than $15,000 saved for unexpected expenses or emergencies compared to looking at the right-most bar about 73 percent of households with income of at least $75,000 saved for unexpected expenses or emergencies. So, really wide variation in savings rates by income.

There were also large differences in savings rates by banking status. We can see here that unbanked households saved for unexpected expenses or emergencies at a much lower rate than unbanked and fully banked households.

So, looking at the first bar, about 20 percent of unbanked households saved for unexpected expenses or emergencies, compared to 55 percent of underbanked and 60 percent of fully banked households.

So you can see, obviously, here that unbanked households saved for this purpose at a much lower rate, whereas, for unbanked and fully banked households, savings rates were very similar to each other.

Okay, moving into savings methods. So, slide 29. Among the households that saved, the households that saved were then asked where they kept the funds. And they could choose one or more savings methods from the list that we have provided. So, these methods include savings accounts, checking accounts, saving in the home or with family and friends, saving in other accounts such as certificates of deposit or brokerage accounts, keeping savings on a prepaid card, purchasing something with the intent to pawn it or sell it later if necessary, or other methods.

And so we can see here from this graph that savings and checking accounts were the most used savings methods. So, we can see from the top most bar that 70 percent of households that save for unexpected expenses or emergencies kept savings in a savings account, followed by about 25 percent kept savings in a checking account. So, looking at the two together, about 85 percent of all households that save for unexpected expenses or emergencies kept savings in at least one of those accounts.

And we can see from the third bar that about ten percent of households kept savings in the home or with family or friends.

Okay, so these are the overall numbers. We can then look by banking status. And with savings rates, there are large differences in savings methods by banking status.

So here we are just going to focus a few of the methods here. So we have for unbanked, underbanked, or fully banked households the dark blue bar is for keeping savings in a savings or checking account. The lighter blue bar is for saving in the home or with family or friends and the tan bar is for saving on a prepaid card.

So, we can see from the first three set of bars for unbanked households, unbanked households that saved primarily kept savings in the home or with family or friends or on prepaid cards.

So, about 68 percent of unbanked households that saved kept savings in the home or with family or friends and about 13 percent kept savings on prepaid cards.

And we can see for unbanked and fully banked households, among these households that saved, they primarily used savings and checking accounts. So for underbanked households, 82 percent kept saving -- 82 percent of underbanked households that saved kept savings in a savings or checking account. And among fully banked households that saved, 88 percent kept savings in a savings or a checking account. So, we see here that there are stark differences in savings methods by banking status.

Okay so the last section I am going to discuss before I turn it over to Alicia are use of alternative financial services, so if we turn to slide 32.

So as in previous surveys and Ryan already discussed a little bit about this, we asked about household use of alternative financial services. So, households were asked if they went to a place other than a bank to purchase a money order, cash a check, or send an international remittance, which we characterize this transaction AFS, Alternative Financial Services, and households were also asked whether they used any of the following nonbank products or services that may be used in lieu of bank credit, payday loans, pawn shop loans, rent-to-own services, refund anticipation loans, and auto title loans, which we characterize as credit AFS.

And as Ryan also mentioned, these are the same set of alternative financial services that we asked about in the 2013 survey.

All right, so slide 33 shows use of alternative financial services by year, looking at any alternative financial service, transaction, alternative financial services and credit, alternative financial services.

So, we see that patterns of AFS use among households in 2015 were generally similar to those in 2015 -- 2013 was similar to those in 2015. So about one in four households used an AFS in 2015, 24.0 percent. As in 2013, use of transaction AFS was more common than use of credit AFS. So, about 20 percent of households in 2015 used a transaction AFS and 7.7 percent used credit AFS.

We also see, looking at changes over time, use of transaction AFS fell from 21.9 percent to 20.2 percent of the population, while use of credit AFS increased from 7.0 percent to 7.7 percent.

On slide 24 we look at AFS use by bank account ownership in year. So, the left panel is for unbanked households. The right panel is for banked households. So, we can see, again for 2013 and 2015, use of AFS continued to be much higher among unbanked households than banked households.

So 57.3 percent of unbanked households

used in AFS in 2015 compared to 21.4 percent of banked households in the AFS. We do see, though for unbanked households, the proportion that used any AFS fell from 63.2 percent in 2013 to 57.3 percent in 2015.

Looking then to see where the transaction AFS or credit AFS fall, we see that for unbanked households pretty much the entire decrease in use of AFS was attributed to a decline in transaction AFS.

So, we can see here that transaction AFS fell from 60.5 percent of unbanked households to 54.1 percent of unbanked households going from 2013 to 2015, while use of credit AFS stayed approximately the same.

For banked households, similar proportions used AFS in 2013 and 2015. And again, we see that use of transaction AFS fell slightly among banked households from 18.6 to 17.6 percent. Credit AFS increased from 6.2 to 7.0 percent.

And so the last point I wanted to mention on AFS use is again looking at AFS use and income volatility. Income volatility was associated with higher rates of AFS use both for credit AFS in the top panel and transaction AFS in the bottom panel. So for example, for credit AFS, about 16 percent of households with income that varied a lot from month to month used credit AFS in the past 12 months, compared to 6.9 percent among households with income was about the same each month.

And the similar patterns observed for transaction AFS; 34 percent of households with income that varied a lot from month to month used transaction AFS in the past 12 months, compared to about 19 percent among households with income that was about the same each month.

And just as with prepaid cards and unbanked and underbanked rates, we also observed that these patterns held at all income levels. And this is discussed more in the report.

All right, with that, I am going to turn it over to Alicia to discuss bank and nonbank credit.

MS. LLORO: Thanks, Jeffrey.

So, to gain a more complete picture of household credit behavior in addition to the questions on credit AFS, the 2015 survey added questions about whether in the past 12 months a household had a credit card or a personal loan or line of credit from a bank. So, we all these items bank credit for short.

So, most households had bank credit and about 64 percent only had bank credit. A significant share had nonbank credit. So nonbank credit refers to the credit AFS products that Jeffrey just mentioned in the previous slides. So, of those, about half had both bank and nonbank credit and the other half only had nonbank credit.

And then finally, 28 percent of households didn't have any of the credit products that we asked about in the survey.

So, just a note there at the bottom that households may have had other credit products that we didn't ask about like mortgages or auto loans. So, just keep that in mind as I talk about the credit products.

So, this next figure on slide 38 shows how household credit behavior varied by certain demographic characteristics. The report has a full set of demographic characteristics but for the interest of time here, we will just go over a few.

So, the top bar shows the same distribution that was on the pie chart in the previous slide. This is for all households. So, as we can see from the dark blue bars, households with incomes of less than $15,000, black households, Hispanic households, and working-age disabled households were much more likely not to have any of the credit products that we asked about in the survey.

Also from the next bar over, kind of a mid-colored blue, black households, working-age disabled households, and lower income households were also much more likely to use nonbank credit only. In fact, they were more than twice as likely as households overall to use nonbank credit only.

So in addition to asking households

about what credit products they had, the survey also added new questions to provide some insight into a household's potential ability to qualify for bank credit. Specifically, the survey asked households whether in the past 12 months they had applied for a new credit card or a personal loan or line of credit at a bank. And if they did so, households were asked whether they were denied the credit or whether they were not given as much credit as they applied for.

So the first bar there shows that about 14 percent of households applied for bank credit in the past 12 months. And then also overall about three percent of households both applied for credit and were denied credit or were not given as much as requested.

The survey also included a question that asked households if they had thought about applying for credit but didn't do so because they thought they might be turned down. And we found that about six percent of households are what we call discouraged about applying for bank credit.

Finally, the survey asked households whether in the past 12 months they had fallen behind on bills. And about 17 percent of households reported that they fell behind on bills in the past 12 months.

So, we find that these factors are associated with nonbank credit use. So, if we focus on the column on the right for nonbank credit only, in the middle we showed households that were discouraged about applying for bank credit. So we can see that about 17 percent of households that were discouraged about applying for bank credit used nonbank credit only, compared to only 3.3 percent of households that were not discouraged.

Similarly for households that fell behind on bills, about 15 percent of those households use nonbank credit only and that is compared to only about two percent of households that did not fall behind on bills.

So, I would just like to point out that these are associations in the data, that we are not making causal statements with these numbers.

And then finally, we looked at what we call unmet demand for bank credit. So for the purposes of our analysis, we classify a household as having credit needs that were not fully met by banks, if the household applied for credit and was denied, if they felt discouraged about applying for bank credit, or if they used any nonbank credit product.

So, overall, 13.7 percent of households had credit needs that were not fully met by banks. We also note that about half of these households reported that they stay current on bills.

So, on the next panel, Karyen will speak to some implications related to these findings.

So on slide 43, we talked about how households conduct financial transactions in a typical month. So, the survey also added a series of new questions asking households how they typically pay bills for things like mortgage, rent, utilities, child care, and also how they receive income from things like work, government benefits, or other regular sources of income. And then this was asked in a typical month.

The goal of these questions was to learn the extent to which households use banks and other methods to handle these routine financial transactions.

So, this next figure shows how households paid bills in a typical month. The most common methods were electronic payment from a bank. So, this includes both bank bill pay and like direct withdrawal from your bank account but also we found that personal checks were a very common method of paying bills. So, about 60 percent of both of those. Those were followed by debit card and credit card.

Also, notably, 16.7 percent of households use cash to pay bills in a typical month.

So, this next slide is just to show you how we define what bank methods are. So anything above that dashed line is considered a bank method, electronic payment from a bank, a personal check, debit card, credit card, or a money order from a bank.

So, the bottom two bars show that about 88 percent of households used at least one bank method to pay bills in a typical month and about three-quarters only used bank methods to pay bills in a typical month.

Oh, I think was reading from the wrong slide but close enough.

So, we can go back. Yes, sorry, 90 percent and then it is still three-quarters.

So, this next slide shows how households receive income in a typical month. So by far, the most popular method was direct deposit into a bank account. About 80 percent of households typically receive their income in this way. The second most common was a paper check or money order.

So, the bank methods of receiving income in a typical month are direct deposit, and then paper check or money order only if the household has a bank account and also did not use a nonbank check casher. So, looking along the bottom there, 88.5 percent of households use any bank methods to receive income in a typical month and 79.2 percent only use bank methods to receive income in a typical month.

All right. So you might be wondering how this varies by banking status. So, perhaps unsurprisingly unbanked households mostly went outside the banking system to pay bills or receive income in a typical month and cash played an important role. About 60 percent of unbanked households used cash to pay their bills in a typical month.

In contrast, underbanked households used banks extensively, almost to the same extent as fully banked households. The one distinction is that they also widely used other methods, particularly for paying bills.

So the next slide here shows underbanked use for bill payments and income receipt in a typical month. So, on the bill payment side, 92.7 percent of underbanked households used a bank method to pay bills in a typical month. As I just mentioned, this is very similar, almost as high as for the fully banked. The one difference is that they use cash and nonbank money orders at substantially higher rates than the fully banked households. So by definition, the fully banked households don't use nonbank money orders. So that is a zero percent. And the fully banked use cash at about 9 percent.

So the underbanked are using banks extensively but they are also using cash and nonbank money orders and the prepaid card is a little bit smaller

On the bottom there, it shows that slightly over half of underbanked households only use bank methods to pay their bills in a typical month.

And then the right panel there shows how underbanked households typically receive income. Most receive income using any bank method, 92.4 percent. On the bottom we can see that 76.2 percent only use bank methods. The receiving income by underbanked households was very similar to that for the fully banked households.

Finally, last slide, I know this has been a lot of information, is a brief advertisement/reminder about our economicinclusion.gov website so you can find our full report, also a full set of appendix tables with probably more information than maybe you want to read in one sitting but it is all there if you need to look something up.

We also have the custom data table tool like we did for the 2013 surveys so you can run your own tables. And also if you are so inclined, you can download the full data set and your own analysis. We provide the data and documentation.

So with that, I will turn it back to Karyen Chu for questions.

MS. CHU: Great. Thank you, Alicia. So, we are open for questions. Mark.

MEMBER OLSON: As always, this is very interesting and very helpful. And it is always helpful to get the update.

Let me ask a question first just on what constitutes the universe that you are serving. I know it is households and it is adults but is there a presumption that anybody that is included in the survey is using a financial service of some sort? In other words, if somebody just becomes an adult or just become a resident of the United States but may not have any financial services, are they included in this survey or does it presume at least an existing single financial product?

MS. CHU: I will let Ryan answer that.

MR. GOODSTEIN: Sure. So this is a supplement to the current population survey. This is the same survey that provides, for example, employment estimates. And so the universe, so the populations we are talking about when we say U.S. households, it includes all U.S. households that are noninstitutionalized.

MEMBER OLSON: I see.

MR. GOODSTEIN: So basically nonmilitary and non-institution of some sort.

MEMBER OLSON: So it is very broadly based.

MR. GOODSTEIN: We do see some

households, very few but some unbanked households that actually say no to everything or most everything. So, these are sort of the households we think are just operating totally in cash.

MEMBER OLSON: The second question, banks are financial intermediaries, which is to say being banked is not an end in itself. You want to be banked because it helps achieve something more broad, an education, a savings, retirement, and the like. And I think that as you identify the alternative financial services, there is sort of a pejorative connotation presuming that they are either more expensive or less sufficient. But do we, have we -- and is the data old enough so that you can correlate things like being a bank customer and achieving some of these greater financial goals? And maybe either Jeff or Alicia, that might be in your areas. So that we are not simply looking -- we are not doing it for the benefit of the banking industry, we are doing it for the benefit of the general public and making sure that the bank, itself, is serving a broader societal goal.

MS. CHU: I would say that so our survey has been conducted every two years since 2009. Our goal is to really provide information, objective information that allows us to talk about a measure usage of both bank and nonbank financial services. And this year we added a whole lot more questions that give us a lot more visibility into the transaction and financial services that people use to pay bills and receive income.

We haven't had, we don't really have very many outcome measures in the survey. And these are certainly, as I mentioned, every administration of the survey we look to try to see what we can add, at the same time trying to maintain comparability over time.

MEMBER OLSON: Well, I think that will be -- because the marketplace is pretty aggressive and the marketplace will continue to provide financial services and using all of the current methods of communication and distribution. And so I think that will be an increasingly important component of this survey, the extent to which the banking industry is providing the societal note.

MS. CHU: Andrea.

MEMBER LEVERE: So, I see that we have a second session about the implications. I am just going to ask about two data points.

So on the emergency savings piece, did we ask any questions about how much they were saving at all? Do you have any data on that?

MR. WEINSTEIN: So we did not ask that question.

MEMBER LEVERE: You did not.

MR. WEINSTEIN: Right.

MEMBER LEVERE: Okay.

MR. WEINSTEIN: So we are just looking at sort of whether they save.

MEMBER LEVERE: Yes or no.

MR. WEINSTEIN: But it could, again, be in and out because they could have later spent the funds. It doesn't mean they necessarily have the funds currently. They could have had them, spent them on an emergency or unexpected expense. We don't know the amount of savings.

MEMBER LEVERE: You know there is a huge amount of data that looks at we don't have $400, we don't have $2,000. So, I just wondered if there was any addition to that thinking.

My other data question goes back to the data you reported on Asian communities and how it had a different trend line than others. I think that one thing we know that the disaggregation of data within the Asian communities is absolutely critical that the data remain deep.

So, I was wondering if there was disaggregation within that data, which would help us identify is this because of new immigrant populations or a change in the overall database.

MR. GOODSTEIN: That's a good point and in fact that came up in our presentation of this material internally last week. In fact, I think it is something we need to look into a big more.

We can say so, I guess a few things on sort of the trend line in general about Asian households is yes, there is a jump up in unbanked rates and underbanked rates. But if you look over sort of the longer trend, it bounces around a little bit so it is, perhaps is a little more stark if you look at only 2013 to 2015. That is just one sort of point for context.

But that said, I think when we look at sort of just the general other household characteristics and to what extent can we explain, use those to account for what we see in the changes from '13 to '15, they don't explain a whole lot but I think there is an opportunity to do exactly what you said, which is to dig deeper into sort of the composition of the households that are classified as Asian or as a country of origin and backgrounds, things like that. So, I think that is something we need to do more work on.

MS. CHU: Although, I will also caution that because the sample sizes are very small in that group --

MEMBER LEVERE: Which is always a challenge.

MS. CHU: -- right -- we may not be able to decompose all that much and find much significance.

Pat.

MEMBER MCCOY: A couple of questions. I wasn't sure if your description of alternative financial services fully picked up nonbank intake services. So, that is one question.

And the other question is when I looked at the extent of reliance on cash in the unbanked sector, it occurred to me that some individuals may not go into the banking system because they are afraid of detection and legal enforcement. And this isn't a typical problem with welfare benefits, which may not really enough to live on.

And I was wondering if you had any questions in the survey that tries to get at this concern about avoiding monitoring of their transactions.

MS. CHU: So maybe I will have Alicia answer the FinTech question.

MS. LLORO: Oh, sure. So currently with at least the credit questions and also the transaction, we are not picking up the FinTech. So, for example, marketplace lending, we would not include that.

MS. CHU: I'm sorry. For Pat's additional question --

MR. GOODSTEIN: Just on the second point about -- I'm not sure if I can speak directly to that, other to refer back to the households that don't have a bank account. The reasons that they cite for not having an account, one of which is something to do with privacy. So, I don't have a bank account because of privacy-related reasons. And so about a quarter of unbanked households cite that as a reason, although, as I pointed out, not a very high proportion of unbanked households cite that as the main reason. It is less than five percent, three or four percent, something like that.

MEMBER MCCOY: Yes, you know I have always had this question of is there an upper limit on the number of unbanked people we have been helping in the banking system that privacy question may become important.

MS. CHU: Ted.

MEMBER BECK: Just looking at the full report, you have got some really good data on age groups. And the presentation really didn't differentiation by age category. Are you seeing sort of any headline differences in behavior by the age category?

MR. GOODSTEIN: So, I think the patterns we see are sort of similar to what we have found in past reports, which you may be right it wasn't a point of emphasis in our presentation today. But generally speaking, in terms of unbanked and underbanked rates, we see that they are higher for younger households versus older households. Things like visiting for banked households, how they access for an account. As you might expect, in older households, they are more likely to say they use the bank teller, use that as the primary method and less likely to use online and mobile banking, things like that.

MEMBER BECK: And the second question is how are you treating gift cards or the prepaid card.

MR. GOODSTEIN: So, when we asked the question in the survey, we explicitly say we are not referring to gift cards. We sort of give a few sentence preamble about we mean and what we don't mean.

MS. CHU: Bob?

MEMBER ANNIBALE: Thanks. I was going to follow-up on a bit of that. But Mark's question was also there.

The whole concept of view of what is alternative and is it or is it complementary. So, remittances, for example, banks have not been the dominant form of provider's remittance services for a long time. And with KYC concerns and others, they are probably even less. So, you have to really think if that is a concern of ours or not. And if we say underserved, is that a problem that they are using remittance services? I was asking the same on the cards.

Many benefits are also on cards now and there has been a growth in that. And just as gift cards in every shop you go to and every drug store. So, as long as you can exclude some of those, I think it is important.

And then there is things like PayPal and other P2P and Square. We just need to start to think as we go forward they may be complementary services for many people, not necessarily problematic in that sense of a goal. They are solving some needs.

It is the unbanked, having no bank account that starts to become curious as to that.

MS. CHU: Thank you. Alden.

MEMBER MCDONALD: Yes, going back to the survey and the sample that you had in the survey, did you keep your sample consistent through all of the questioning as well as the different years? For example, did you keep your sample of age demographics level or did you mix it up. How did you go about to select the survey folk to answer your questions?

Because by age, for example, you will have more individuals responding to the technology side versus the manual banking system for payments, as well as deposits. So, how did you do your sampling? What mix did you use?

MR. GOODSTEIN: Sure. So, as I mentioned before, the survey we actually just piggyback right on the CPS. So, we sort of use their sampling. When we use the survey weights, it is meant to represent the entire U.S. noninstitutionalized population. And so that is the mechanics of how it works.

MEMBER MCDONALD: Okay.

MR. GOODSTEIN: But it is true that so as the demographics of the country change and that is reflected to some degree in sort of the behaviors we see, so for example as the country ages, we know that being older is associated with higher rates of being banked. And so you see unbanked rates dropping for that reason. Other things equal but then of course, there are offsetting factors, things like increasing minority shares. So the actual outcomes that we see are reflective of demographic trends but the sample itself is meant to represent as of the survey date 2015, June 2015, what the country looks like.

MEMBER MCDONALD: And the same thing with 2013.

MR. GOODSTEIN: That's right. So, that has been true of all years of the survey.

One thing just on this point I should mention we use the householder to represent the household. So, there may be some variation in the sense when we refer to a household as a younger household or like a college educated household, we typically mean, or in this report we mean the householder. We looked at sensitivity to results to various other measures of incorporating other people in the household. And generally the patterns we see are similar. So, just to point out that technical point.

MS. CHU: Kelvin.

MEMBER BOSTON: Just a couple of points. And some of it we just head from Alden.

And this might be in the report. I think it would be interesting to find out are these people long-term unbanked or underbanked. Are they newly unbanked or underbanked? How long have they been in this situation?

And the other question to me I think it would be helpful for the country is when we ask this question is are you not saving because of some asset test based on a government subsidy. I don't know if you can get at that but I think that would be an important question.

MEMBER MCCOY: The fear of one.

MEMBER BOSTON: That's my point. So people are not saving, may not be saving, may not be using these vehicles to save because they are afraid of losing their benefits.

The other thought I had was about page 17 concerning how interested are banks in serving households like yours. I want to make sure I understand. Are we saying here that 55 percent of the unbanked are saying that banks are not interested? I just wanted to make sure, which is reasonable. But I think in this report it seems as though we have glossed over that.

MS. CHU: I'm sorry?

MEMBER BOSTON: It seems to me how we are presenting it right here that we are kind of glossing over that. That is very significant if you want people who may -- my position is people who are unbanked today may become banked tomorrow. It might just be a job or something temporarily that they are going through. But if they feel that banks are not interested in them period, are not serving them, then why should they come later when their situation changed?

So, I am just wondering if maybe we should at least underscore that there is a perception that banks are not interested in serving a certain population.

MS. CHU: Absolutely. So, let me actually address your last comment first and then turn it to my colleagues.

So, we actually have more in the report on this question about how interested are banks in serving households like yours. And just as importantly, we also actually have a major implication that we will discuss in the next panel on this.

MR. MILLER: This is a new question, right?

MS. CHU: This is a brand new question, yes. And then for your --

MR. MILLER: I am interested in digging in on this.

MS. CHU: Right. And so we will provide in that, when I discuss the implication, I will be providing a lot more detail into specific segments of this.

And then on your question about previous banking history, et cetera.

MR. GOODSTEIN: Yes, so we have a few data points on that. So we know that of unbanked households about half have been banked at some point in the past. And if I recall correctly, it is something like ten percent have been banked in the last year. So, of unbanked households, ten percent, thereabouts were unbanked -- were banked in the last year but are currently unbanked at the time of the survey.

MS. CHU: John.

MEMBER RYAN: Just a couple questions about the survey. Do you see differences in response rates based on income, age, ethnicity and is that a variable, if so that changes between the years?

And in the survey is there any opportunity, I imagine there would be the answer, but to provide narrative in responding to any of the questions?

MS. CHU: So, I will ask Alicia to respond.

MS. LLORO: Sure. Yes, so there is a difference in response rates by pretty much all of the demographic categories.

MEMBER RYAN: Are they significant?

MS. LLORO: Yes. So, the patterns are the same as far as so when people have to agree to take our supplement after they have done the base questions from the general population survey, so there is some drop off there. And it follows a sort of pattern by demographics.

And then as people proceed through our survey, there is also a drop off. So as you get further along, some people drop out as they go along. And certain questions may be hard to answer so they could have slightly higher nonresponse rates.

And so it varies if we look at banked versus unbanked. The unbanked have a lower response rate. But the pattern of drop off is similar.

So, if you think about like lower income, it sort of shifts the response rate down and then they sort of decrease as they go through the survey but that drop off isn't higher. So, it is sort of just kind of like a shift. The same thing with education, racte. So, it is kind of just a shift overall of a little bit lower response rate and then kind of the same drop off as you go through on the survey.

And most of the -- well, not most but sort of all of the information that we presented for you we did control for demographic characteristics. So, that should pick up a little bit with the response rate, if that is affecting sort of the distributions that we get. So, we make sure like accounting for other factors do these differences still hold up.

And so what we report they do hold up. So, that should help a little bit with the response rates.

But yes, so certainly, it is what you would expect. It is affecting.

MR. GOODSTEIN: Just one follow-up point on that. At least for the households that drop off before so they either don't complete the base CPS or they drop off when they get to our CPS, they are considered nonresponsive. And so the weighting we use reflects -- adjusts for that. Of course, that can't control for everything. So, to the extent that the drop off is differential by things that aren't observed or accounted for in the way, you know, that is, of course, not reflected. So, it gets to some of that. It corrects for some of that but not all of it.

MS. CHU: And to respond to your question about open-ended questions, so in many of these answers, when none of the choices apply to you, you can specify no, none of these but, instead, I use X.

Martin.

MEMBER EAKES: Yes, this is a little bit geeky. Is it possible to have -- we have got lots of correlations here. Would it be possible to have causation hypotheses of how do you get at that. So, it is part of Mark's question is you are fully banked, can you have hypotheses you can test about whether that leads to better outcomes or is this data set just not possible to get to causality.

MR. GOODSTEIN: So, I don't think any of us would be comfortable saying we could get to causality. I mean we can certainly, and we have done sort of behind the scenes.

MEMBER EAKES: Yes, you could never get to causality in any study.

MR. GOODSTEIN: But we can at least

account for other things that we observe and do these differences. So, the difference in certain -- like for example, the difference in unbanked rates, by racial and ethnic minority groups, to what extent does that difference explain that difference. So, we can account for things we can observe, of course.

So, things like income, education, and all these other characteristics. After doing so, there is, of course, still a difference. And so that is probably the more interesting question is what is the sort of residual distortion. That is, obviously, a much harder question to get to.

But in general so the differences that we have highlighted here. We have, at least behind the scenes, tried to account for other things. And at least qualitatively, we see these differences persist even for accounting -- when they account for other things. But I think we stopped short of saying there is still some causal effect of what is left.

MR. MILLER: It is an ongoing fight,

Martin. I ask them all the time can I say this. And they say no. Then, I'm on my own as to whether I decide to or not.

MEMBER SWAGEL: It is remarkable data, though. It is really amazing.

MS. CHU: Thank you. John.

MEMBER WEICHER: I agree with what Phil was just saying, certainly. I have a couple of questions. One is, where does the money market mutual fund fit into your categories.

MR. GOODSTEIN: So, the actual question when we categorize the household as basically the question specifically is do you currently have a bank account. And so it doesn't refer specifically to types of accounts, whether savings or checking, although we have a follow-up on that.

If a respondent were to ask I have a money market account, they are instructed to say yes. And when we compare our data to other sources, for example the Fed Survey of Consumer Finances, they line up very closely as long as we include things like money market accounts and other sort of more -- accounts somewhere sort of wealthier the households the more higher you would use.

So, I think for the purposes of interpreting our results, it is safe to assume that when we say a bank account, it includes all of those types of products.

MR. MILLER: Even if it is not from a bank.

MR. GOODSTEIN: On that piece, I suppose that would be in there, too. I don't remember. That is probably something we should --

MEMBER WEICHER: It would be in the bank -- it would be counted as bank if it were with --

MR. GOODSTEIN: And of course, we should also remember that --

MEMBER WEICHER: Pardon me?

MR. GOODSTEIN: That's a good point. So to the extent that a household would have an account like that and not also a checking or a savings account or something from a bank as well, it is possible we might be sort of overshooting slightly. I would suspect that the number of households in the population that meet that criteria is probably not that big.

MEMBER WEICHER: That sort of feeds into my section question which is basically what is a bill as you are paying it?

I get monthly bills and I certainly never pay any of them in cash. And at the same time when I go out and do my shopping on the weekend, I am going to be using cash, depending on who it is and the size of the bill and I am going to be using a credit card, et cetera.

So, I am startled that only 16.7 percent of people use cash. Am I missing something there?

MR. GOODSTEIN: The preamble to this series of questions about how do you pay your bills in a typical month try and prompt the respondent to think about things like mortgage or rent, other sort of regular bills, utility bills, things like that.

And so I think for that reason maybe people aren't thinking, you know we didn't expressly call to their mind things like grocery and things like that.

That said, of fully banked households, something like ten percent or maybe a little bit less, seven or eight percent of fully banked households use cash. So, that is probably picking up things like that or child care or other things you could sort of imagine.

MEMBER WEICHER: That suggests that a great many people never use cash, if seven or eight percent say they do. That leaves a lot of people --

MEMBER LEVERE: None of our children.

MEMBER BARR: My children have never used --

MEMBER LEVERE: They don't know what it is.

MEMBER BARR: When they were little, they might have used pennies but not today.

MR. GOODSTEIN: I mean if you look at

only the households that only use bank methods, that would mean that they do not use cash at least for these bills. Over 90 percent of fully banked households and something close to 90 percent for all households -- I'm sorry, for fully banked households. Something close to 90 percent were only bank.

MS. CHU: Jose?

MEMBER CISNEROS: Yes, great information. But if we are going to continue this, I am happy to go after lunch, if we are running --

MR. MILLER: We have got a few more minutes.

MEMBER CISNEROS: We do? Okay, great. I am intrigued about your information around direct deposits. We have looked at direct deposit in San Francisco in the past because, again, going on our own imaginings mostly, we were thinking and hoping that take-up rate of direct deposit might be correlated to a lot of better outcomes because if all or let's say most of an individual's or household's income is automatically landing rapidly and safely in their bank account, it hopefully encourages those individuals, those folks, to be doing a lot more living and transacting with main stream bank accounts and have less of a reason to even occasionally use nonbank offerings.

So, I am curious a little bit about two sets of questions. Both what information you might have now or we could look at getting in the future about what we know about the actions of people that are using direct deposit. Things that come to my mind are what percentage of your income do you receive through direct deposit.

So, I would imagine for many people, if not even most, it is probably 100 percent. Right? I mean if I have one employer and I get all my pay through direct deposit, then that would be 100 percent. But I don't know, obviously at various income levels, there will be people that might have different varied sources or, as you say, income volatility and things like that.

So, I would be curious to see if correlations differ, depending upon the percentage of your income that comes through direct deposit.

I would also want to see if, again, some of these imagined benefits that could be determined are savings rates higher if I get all or a significant amount of my pay through direct deposit and, as I mentioned a minute go, do my use of nonbank things decrease?

And then looking at the folks -- and this is where I believe our most vulnerable communities are, the universe of folks that don't at all use direct deposit or use it very little -- I would say at all. That is a population I am particularly curious about because I think obviously those are where our unbanked folks live. Those are where our low-income families are.

And so some of the questions I have about that universe is, and I don't know that we would have asked this already, but is direct deposit even offered from the places that you receive your income from? Are your employers even offering you direct deposit?

So, in other words, was that even a

choice that the household was or individual was making on their own or was it a choice that was kind of forced on them because it wasn't even offered? What is their income volatility looking like? I am imagining that if they have a lot of part-time jobs or short-term employment periods, even if it is offered it might be a pretty heavy lift to keep swapping in and out direct deposit connections every few months or something like that.

And so I am curious to see which of either of those two categories of information do you think might have now and then could we look at maybe adding some of those questions in the future.

MR. GOODSTEIN: So, I think those are all really good points. First, I will start with what we can't do. We don't have any questions now about what percent of income comes from direct deposit. That is something, at least at this point, we can't speak to at all. But I think there is a suggestion to look at sort of how, basically break up the population of bank people.

Also we already look at sort of the

differences by unbanked or certainly for the large part they don't have direct deposit into a bank account. But it is a good idea to look within the community bank's households and how their other outcomes and other sort of behaviors differ by whether or not they have direct deposit.

Of course, again, returning to our earlier caveats we can look at differences. There is going to be other things going on that might be a shift in those differences.

MEMBER CISNEROS: But I'm happy to draw conclusions like Jonathan that may or may not be actually valid.

MR. GOODSTEIN: We serve it up and you can run with it.

The other thing we should talk about and I think we should on this point now, and we mentioned it in the report but just to be clear, when we are talking about differences across households and what they are doing in terms of paying bills and receiving income, we haven't at all accounted for. And we have talked about in a future survey bringing questions like can you -- are you able to get direct deposit from your employer and on the pay side, are you using a money order because your landlord required it and things like that.

So, these differences that we show here and in the report, to some degree it is those factors, as well as sort of just individual household circumstances and preferences.

MEMBER BARR: Thank you. I will try not to break the mike this time.

Just a small point about Jose's question and then a question for you.

So, I asked a couple of those questions in my Detroit Study that I did several years ago and the findings are in the No Slack Book that I talked to this community about I think quite a long time ago. But as Ryan's questions would suggest, the sort of external factors is quite important for people. So, among the people in the study who didn't use direct deposit, a big driver for them was that their employer just didn't offer it. And a big driver for the use of money orders to pay landlords was because their landlord wouldn't take any other form of payment.

The same for cash. Use of cash was driven externally rather than motivated by the person's desire to go get a money order.

So, it just reinforces your point.

MEMBER CISNEROS: And I just want to say what that led us to believe was, in addition to focus on the poor person who didn't even have the option of receiving direct deposit, it was probably time for us to turn our sites on the employers and start talking to them about saying you all need to get to 100 percent offering of direct deposit. So, it just tells us where we need to direct our --

MEMBER BARR: I think that is right. I mean the challenge there for the direct deposit side, there shouldn't be large employers who don't do it but the challenge is really the smaller employers and the lots of people who have lots of part-time work. And that is a very big challenge.

So, my question was around the finding about the significant increase in bank status for African Americans, which I was really struck by. And I was particularly struck by it because African Americans have had a harder time than others coming out of the Great Recession reattaching to the labor force.

So you mentioned before that, at least in an aggregate level, I think, about half the increase in bank status can be attributed to job status. Is it different for African Americans? Can you tease out more the relationship between the increase for African Americans and other causal factors?

MR. GOODSTEIN: That's a good question, which I am sure we looked at at some point but the answer escapes me at the moment.

MEMBER BARR: Okay.

MR. GOODSTEIN: I mean I can say that for sure we can account for sort of the same story as I talk about for the overall trend when we account for things like economic conditions and other demographic changes on sort of the residual difference across time. In other words, the changeover times is still significant. Saying that that doesn't seem to be the whole story. And I don't remember off the top of my head sort of the magnitude of this.

MEMBER BARR: Maybe if it is in the 180-page version, if we could chat about it in the afternoon or we could follow-up after, that would be great.

MS. CHU: Andrea.

MEMBER LEVERE: Very quick question. Is this data cut by gender?

MR. GOODSTEIN: We have not cut by gender. So, one of the reasons why is it is a household level survey. And so the gender cut doesn't necessarily work for all our households. What we have done, but we didn't focus at all today, but we showed how the results varied by households structure. So, married couple households, single female head of household, single male head of household, and individual households.

And so as you might expect, households, for example single female family households, these are households headed be a female with usually kids or other people in the household, they have higher rates of being unbanked, higher rates of being underbanked.

MEMBER LEVERE: And is that available on the website? You have that broken out?

MR. GOODSTEIN: Yes.

MR. WEINSTEIN: And also, the appendix table is also included.

MEMBER LEVERE: Okay, great.

MR. MILLER: Any other? And the real fun is after lunch, when we talk about the implications. I think we are ready to have lunch.

Thank you very much. Thank you to the panelists for really great presentations.

(Whereupon, the above-entitled matter went off the record at 11:35 a.m. and resumed at 1:06 p.m.)

MR. ERNST: Thank you, Mr. Chairman. If we can begin, I will introduce our panel for the afternoon and purpose of it. The panelists will look familiar. And the purpose of the panel is to really delve in and explore the economic inclusion opportunities that are suggested by the data that we heard so much about this morning.

Karyen Chu will walk us through a brief set of slides to talk about the implications that our research team drew looking at the data. And as you listen to her presentation, I want to plant three questions for you to think about. First, do any of these implications stand out to you as particularly compelling now, based on the data you have seen and the experiences you bring to the table? Second, what are the key challenges to recognizing them? And third, what other opportunities do you see in the data or from your experiences that we should be thinking about?

After she finishes, we will open the discussion. We can touch on these questions and any topics that you bring to the table.

With that, thank you, Karyen.

MS. CHU: All right. So, we have a

total of six implications this year, given the large number of topics that we covered. Our first implication deals with households with volatile income. As we saw, more than one in five households have income that varies somewhat or a lot from month to month and these households are more likely to be unbanked or underbanked, even at among households with moderate levels of income. As you can see and as we discussed earlier, if you have income between $30,000 and $50,000 a year and your income is volatile, the unbanked rate is 7.4 percent. And that compares with the same household income but your income is steady, the unbanked rate is 4 percent. And this difference of 3.5, 3.4 percentage points in unbanked rates is similar to the difference in magnitude of the unbanked rates between households that make between $30,000 and $50,000 and households that make between $50,000 and $75,000.

So, bank products and services that enable households to better manage their account relationships and meet their financial needs when their income is volatile may help these consumers open and sustain bank accounts and conduct a greater share of their financial transactions within the banking system.

Below we give three examples of opportunities for banks to serve these households. Consumers with volatile incomes may find it difficult to consistently meet minimum balance requirements, even in cases when over time their deposits and balances could be substantial. Offering accounts with low or no minimum balance requirements and low fees that are consistent with the FDIC Safe Accounts Template can help these customers establish banking relationships and maintain those banking relationships during periods of lower income.

Second, consumers with volatile income may need to monitor their accounts closely. Almost all households with volatile income have a mobile phone and eight in ten have a smart phone. So, encouraging the use of mobile banking, including features such as account monitoring, timely alerts may help these households better cope with their fluctuating income streams.

As you may recall, in focus groups that we conducted last year that we presented in May, some consumers reported that having mobile alerts and monitoring tools help them to reduce their fees, better track their finances and improved their on-the-spot decision making.

For our third example, we note that during periods when income is low, households with volatile income may feel more pressed to use incoming funds as soon as they are received. So, banking services that offer expedited access to these funds for a reasonable fee, while following sound risk management practices, may be attractive to these households.

Similarly, current efforts to offer quicker availability of funds through improvements in the payment system may also benefit these households.

Our second implication focuses on access to and use of smart phones to engage in banking activities which continues to grow at a rapid pace. As you see, for the unbanked households, there was a 30 percent increase in smart phone access between 2013 and 2015, resulting at the end in four in ten unbanked households having smart phone access in 2015. Similarly for underbanked households, we see a large increase resulting at the end in 2015 in three in four of those households having access to a smart phone.

Along with increases in smart phone access, we also see a 37 percent increase in the use of mobile banking and a 66 percent increase in the use of mobile banking as the primary method for accessing a bank account.

In 2015, just like in previous years, underbanked households continue to be more likely than fully banked households to use the mobile channel as their primary means of accessing their account. And for the first time, we see that slightly less than half of all banked households use a physical banking channel, so using the bank branch or the ATM as their primary method of accessing accounts.

Consistent with implications from the 2013 survey, this growth in use of smart phones to engage in banking activities presents promising opportunities to use the mobile platform to increase economic inclusion. At the same time, physical access to branches remains important. And our results suggest that modification of branch services may have economic inclusion implications.

For example, lower income households, less educated households, older households, and households located in rural areas continue to rely on bank tellers as their primary method for accessing their bank accounts.

Use of bank tellers also remains prevalent even among households that primarily use other methods for accessing their accounts. And finally, research from the Federal Reserve Bank of Governors indicates that 44 percent of households that responded to a 2013 survey chose their bank based on the location of its offices by far, the leading factor in the selection of their bank.

We heard from Jeffrey earlier today that one in five unbanked households save for unexpected expenses, although, for the most part, not in insured depositories. In fact, roughly two-thirds of unbanked households that save for unexpected expenses keep the savings in the home or with family or friends. An additional one in eight of these households keep these savings on a prepaid card.

Bringing these savings into the banking system could allow these households to build banking relationships and access to mainstream financial services at an insured depository will provide these consumers with a safe place to save, to conduct basic financial transactions, help them build a credit history, and help the access credit on favorable terms.

Low cost savings accounts with low minimum balance requirements are one option that unbanked households can use as a gateway to enter the banking system and build relationships with banks.

Our fourth implication focuses on households with unmet demand for bank credit. You heard from Alicia this morning that almost 14 percent of households have unmet demand for bank credit, meaning that in the past 12 months they either used a nonbank credit product or were denied or felt discouraged about applying for bank credit, specifically for credit cards, personal loans, and lines of credit from a bank. Notably, so 8 percent of that 14 percent used a nonbank credit product in the last 12 months.

Banks may have the opportunity to help meet the credit needs of some of these households that have unmet demand for bank credit. For example, the vast majority of these households are banked, yet very few applied for bank credit in the past 12 months. Eighty-eight percent of these households, these fourteen percent of households with unmet demand for bank credit have a bank account. They are banked. They conduct their monthly financial transactions, meaning paying bills and receiving income using their bank accounts but despite active banking relationships, fewer than one in three of these households applied for a credit card or a personal loan or line of credit from a bank in the last 12 months.

Some of these households with unmet demand for bank credit may present opportunities for banks to extend credit in the form of credit cards or small dollar personal loans. For example, one in two households with unmet demand for bank credit indicated that they were current on their bills over the past 12 months.

Keeping up with bills is an incomplete measure of credit worthiness. But it, nonetheless, provides some insight into the financial situation of these households.

In addition, many of the households with unmet demand for bank credit are young and may have little or no credit history. Efforts to promote credit building or to incorporate nontraditional credit data into bank underwriting could expand access to bank credit for these households while also building and strengthening these consumers' relationships with banks.

For the vast majority of households with unmet demand for bank credit that are banked, banks could potentially use these households' account transaction and other banking relationship information to help underwrite and offer credit.

And finally, banks could also undertake communication strategies to increase households' awareness of short-term personal credit products.

Our fifth implication relates to financial transaction activity of underbanked households. In 2015, almost 20 percent of households were classified as underbanked. Substantial differences exist among these households in the ways that they conduct their financial transactions. The vast majority, as Ryan mentioned -- who mentioned? The vast majority used banks to pay bills in a typical month.

About one in six of them used cash or money orders as their primary method for paying bills in a typical month. An additional roughly one in four used bank methods to pay as their primary method but also used cash and nonbank money orders to pay some bills in a typical month.

And I wanted to remind you that bank methods means using a bank debit card, electronic payment from a bank account or a personal check drawn from a bank account.

Efforts to encourage and make it easier for a range of payees to accept electronic payments and outreach to raise awareness of bill pay and other electronic payments among lower income households may facilitate the movement of these transactions into the banking system.

So for example, for the roughly one in four underbanked households that primarily use bank methods to pay bills but also use cash and nonbank money orders, for these households it is possible that their use of cash and nonbank money orders is due to payee requirements, since they primarily use bank methods to pay bills. So, for these households, efforts to encourage and make it easier for the range of payees such as landlords to accept electronic payments may help these households reduce their use of cash and nonbank money orders.

For the one in six underbanked households that primarily use cash and nonbank money orders to pay bills in a typical month, we have conducted focus groups in 2015 with consumers and consumer financial counselors who noted that low-income and unbanked consumers may be unfamiliar with the full range of bank products and services that they can use to meet their financial transaction needs. And so banks may have the opportunity to encourage consumers to conduct these financial transactions within the banking system by, for example, raising awareness of alternatives, such as bill pay, bank bill pay, or person-to-person payments through bank accounts, including emerging options for faster payments.

So for example, in one of the banks that we talked to in our bank efforts, qualitative research last year, gave an example of they had a customer who would come in every month to buy bank money orders to pay a variety of bills. And finally the teller looked up the payees in their bill pay system and found that all of the payees were actually in their system. And so then the teller informed the customer that in fact the customer did not need to get nonbank money orders and run around and pay them but in fact could use bill pay and taught them how to use bill pay. And they noted that the customer did not know about this option.

And our final sixth implication goes to the question of perceptions of banks' interests in serving households like mine. More than half of unbanked -- so the majority of unbanked households think that banks have no interest in serving households like theirs. For example, as you can see, for unbanked households, more than half, 55.8 percent perceive that banks are not at all interested in serving households like theirs. That is more than three times higher than the 16.6 percent who feel the same way -- of underbanked households who feel the same way and more than four times higher than fully banked households that hold that same perception.

This perception is not limited just to lower income unbanked households. As you can see, even among unbanked households with annual incomes of at least $50,000, 46.7 percent perceived banks to be not at all interested in serving households like theirs.

Similarly, whether you were previously banked and, therefore, had experience with the banking system or you were never banked, for both sets of unbanked households you see that we have similarly high shares of unbanked households that say banks are not at all interested in serving households like mine.

The perception that banks are not at all interested in serving households like theirs is related to their interest in opening an account in the future. We see that unbanked households that perceive that banks are not at all interested in serving households like theirs are significantly less likely to be interested in opening an account in the future. As you can see from this table, only

17.3 percent of unbanked households that perceive banks to be not at all interested in serving households like theirs say that they are very or somewhat likely to open an account in the next 12 months. This compares with 50.4 percent of households who say that banks are very or somewhat interested in serving households like theirs.

So, we also see that unbanked households' perception that banks are not at all interested in serving households like theirs seems unrelated to the products and services actually offered by banks. Among these households that say banks are not at all interested in serving households like mine, only 18 percent told us that banks do not offer needed products or services as one reason that they are unbanked.

And only one percent of them cited that banks not offering needed products or services as the main reason that they are unbanked.

In addition, more than one in four unbanked households say that one reason that they are unbanked is because they do not trust banks.

Roughly one in ten unbanked households are unbanked mainly because they do not trust banks. And lack of trust in banks was the second most frequently cited main reason for being unbanked.

These statistics about perceptions of banks' interest in serving households like theirs and lack of trust in banks are consistent with findings from qualitative research that we conducted last year that we reported in May with unbanked, underbanked, and low and moderate income consumers in which trust and familiarity emerged as important themes.

Taken together, the survey findings and the qualitative research findings suggest that developing longer term sustainable relationships with unbanked customers requires going beyond simply developing new products and services and that establishing trust and familiarity is equally important.

MR. ERNST: Thank you, Karyen, for walking us through those implications. And now I see that we are on slide 75 and I think probably well-prepared for the conversation period.

It has been pointed out to me in the past that I often will look close to me for questions. So, I am going to look down this end of the table first today and see if we have questions or initial comments and work my way around.

MEMBER WEICHER: Thank you very much.

I have been looking at the Survey of Consumer Finances and one of the things I have noticed, in particular, was that in the 2007 survey taken just at the peak of that business cycle, about 15 percent of households did not have transaction accounts, 15 percent of the population. And something in that range had been typical back to 1983, back to the first survey.

Between '07 and '10, the proportion went from about 85 to about 93. Or looked at the other way, the proportion of the population that did not have transaction accounts was cut in half during a period when nothing else was going right in the economy and nothing else, with one exception, was having an increase in asset ownership, that one being the second most common asset, which is automobiles.

Now, you only go back to 2009, which on the one hand is a pity, on the other hand would be true if you had gone back to 1909 and we wanted something from 1907. But the question becomes have you any sense from what you did of what the difference is in the use of transaction accounts, the ownership of transaction accounts, how that has changed even between '09, '11, '13, '15? You gave us the numbers. But do you have a sense of what is different about any of those people from one survey to the next? It might suggest something about what might have happened between '07 and '09.

MR. GOODSTEIN: I guess I am just trying to make sure I understand. So, is your question just what is driving the trend that we see in our data that is --

MEMBER WEICHER: Well, is there a trend in your data between '09 and now? You know '15 is the lowest percentage I think you had. But I am wondering if you are seeing any differences in who doesn't have a transaction account.

MR. GOODSTEIN: So, I can speak a little bit to the trends in our data and then as well as some of the results from the Survey of Consumer Finances.

And so as you heard earlier and before lunch, as we walked through the unbanked rates as we have measured them and how we see certainly from 2011 to 2015 a decline from 8.2 to 7.7 to 7.0. And so roughly half of that, as we talked about, can be attributed to economic condition.

It is interesting, though, to take a longer perspective. Of course, we can't do that with our data but Surveys of Consumer Finance, back to 1983 there actually has been like a secular trend in terms of the unbanked rate has been decreasing. So, I don't remember the specific numbers offhand but there is a sort of longer trend towards more and more people being banked. And so it is important to think it is true that we see a downward trend in our data and some of that can be attributed to economic conditions but it is also a continuation of sort of a longer term trend. So, think about what is driving it. That might be a clue of where to start.

MEMBER WEICHER: You know it was changed from '07 to '09 is unprecedented cutting the unbanked rate in half, cutting the proportion without a transaction account by half in three years, nothing like that shows up from '83 on. It is trending down but not off a cliff.

MR. ERNST: The other thing we can say based on our data is that the gains from '13 to '15 are broadly spread throughout different population segments. So, they are not isolated to one or two segments but, in fact, many of the population segments that had the highest unbanked rates had a reduction. And I think the other thing you comment calls to mind, which is not directly reflected in our survey results but reflects a longer term is if you think about the increasing relevance of financial services and access to the payment system to Americans' lives. The things that you can do with a transaction account and access to the payment system in 2015 are quite a bit different and quite a bit more varied, perhaps, than you could even do in 1996. So, I think that is something to think about, along with these economic factors. But thank you for the comment.

I want to give other opportunities.

MEMBER SWAGEL: Sure, I'll go next. And thanks, I will just say again what I said before about how remarkable these data are. Your analysis is really excellent. But the data, I know you are only beginning the mining process. So, it is truly remarkable. And I will be very interested in hearing everyone's comments. So, I will be brief.

So, I thought your analysis is really -- the way you laid out slides through 75 is very nice. The thing about the products, you know why are the unbanked not here on the product side. And then as you said, I can't remember who said it, on the trust side seems really right.

On the product side, I know it is the obvious point of payday lending rules. And obviously, I realize that it is a different agency that is doing those rules but they are just the natural one.

And I actually submitted my first ever comment letter to the payday lending one -- I think it was my first ever comment letter, saying hey, think about banks and credit unions. So, anyway a small comment on the product side and hopefully, the FDIC will continue to push on that dimension.

On the trust side, I had one more thought, which, again, is a little bit of an echo of what I said earlier in the morning and then I will put a question mark at the end. So, hopefully, you will get it as a question mark.

And that is that trust is not just passive, it is not just creating an environment of trust but it can also be created proactively. And here as I mentioned fraud before in the morning and that is really what I have in mind. So, not just protecting consumers, making sure that the rules are followed but when things go wrong to proactively remediate and say hey, this went wrong.

I mean obviously Michael referred to the recent case something went wrong in your accounts and we are proactively remediating it, which I realize is being done now. But five years ago when the first instance is discovered, it should be remediated at that moment. So, that is a more general point of something went wrong; we are proactively remediating it. We are not requiring you to go to our website. If you have to go to the FTC's website and fill out the identity theft form, we are proactively telling you to do that. We are not waiting for you to complain. We are proactively telling you to do that.

And that doesn't happen today. I mean we all understand it just doesn't happen.

So here is my question. Is that culture? Is that regulation? Is it supervision? Is it for supervisors to say hey, you are no longer allowed to be passive? And whatever supervisory capacity if you don't proactively remediate, we are going to take the full range of actions against you for not proactively remediating.

It seems that is one way of building the culture of trust that would bring unbanked households into the system. So, I have to put a question mark at the end I think.

Feel free to ignore the question. Is this just outside the bounds of supervision or regulation? Is it something that is legislation or is it something that the supervisory agencies can push on?

MR. ERNST: I don't know that I will ignore your question but I will hear it as a question for the table, rather than a question for us.

Martin.

MEMBER EAKES: So, I wanted to question whether your assessment is correct.

MEMBER SWAGEL: Absolutely.

MEMBER EAKES: So, the publishing of consumer complaints that the CFPB does now, they then also recommend to any financial institution those complaints, so in my case they come to the NCUA which refers it to the CEO of that institution.

So, there is a mechanism now, if the complaint gets filed. You can't really ignore it very easily at your peril, if you are getting complaints at the CEO level that come directly to you.

MEMBER SWAGEL: So, I gather that there is not 100 percent linkage from someone going to CFPB and filing a complaint to its showing up. So, I gather that many of those complaints, instead, the CFPB basically farms them out to someone else. They say oh, you have to go talk to the Fed. You go talk to the Fed, we are done.

MEMBER EAKES: Well, I hope there is not any falling out because I have got a few of them.

MEMBER SWAGEL: So that actually is great. I am glad I'm wrong but I think I'm wrong only in part. I think there is a big missing gap.

MEMBER EAKES: I mean I think a bigger gap would be that lots of people don't know where to complain. They don't know that they can complain. And so if you have a hundred examples of abuse, only one complaint gets filed. So, I think that is --

MEMBER SWAGEL: And I guess that is what I meant by the proactive, that the supervisor should be the ones connecting these dots or seeing -- you know you shouldn't have to wait for the LA Times or whatever to connect the dots. They should be doing it on their own.

MEMBER EAKES: We get them.

MEMBER MCDONALD: Most of my customers are finding a way to get to me.

(Laughter.)

MEMBER SWAGEL: You know I will be very interested in the other side.

MR. MILLER: I have invited myself back to the table to address this specific point.

MEMBER SWAGEL: I have lured you in.

MR. MILLER: You did, indeed. So, all the prudential regulators and the CFPB have worked together to redo the Consumer Compliance Rating System. And the proposed system has gone out to the public for comment. We got a comment and I think it is safe to say that we will -- it is never safe to say on an interagency basis, but it is almost safe to say by the end of the year we will put out the new ratings.

And very explicitly in the new rating system to get the best rating of one, we encourage banks to identify problems themselves and to remediate those problems, provide restitution where restitution is appropriate and so that if an examiner comes into the bank and the bank says oh, look, we somehow gave people extra accounts but we found we had some rogue banker. We found it. We have a good compliance management system. We found it. We unwound it. We paid everybody back. Everybody has been made whole. We found it ourselves. We did it. We are going to applaud that with a higher rating.

MEMBER MURPHY: So, any financial institution who is concerned about their brand will have a complaint resolution process. We have a very aggressive -- and by the way, regulators come in and ask what is your complaint resolution process. It is one of those items that is examined. So we actually have a process that we speak to on a regular basis. And so not only what are the complaints; how did you resolve and then how are you systemically going to prevent them from happening going forward?

And so it is meant to have a sustainable response to those things that surface. We are not without, as my friend here says, without opportunities to hearing from clients about issues. And so we do have a fairly large infrastructure that is focused specifically on complaint resolution both people and systems. And it is tracked and measured and reported to our board on a regular basis.

And so it is not something that this happens, it is something that is aggressively managed.

MEMBER MCDONALD: I would like to also add that the follow-up from the regulatory agencies are very good. They specifically put 14 days in the letter to you to respond. And they have a great follow-up system.

I wanted to just point out that as most

of you know, we have a lot of high volume, low balance customers, underbanked customers. And I can almost guarantee you that these individuals know how to find the agencies then they think that something is going wrong.

And as much is that we probably receive more requests for issues than most financial institutions not because we are doing something wrong or our file is inaccurate but it is because of a lack of education about the system itself. And out of the volume that we receive and Martin could probably attest to this as well, I think maybe over the last three years we found maybe on one occasion we slipped up on something but, for the most part, the system works for individuals who feel that the bank is not treating them properly.

MR. ERNST: Great. I think I will let Karyen add one point.

MS. CHU: I wanted to just add one point on trust, which is that so certainly things like complaint resolution are important to consumers but, as we found from our focus groups last year, trust is actually much, much broader than that. It encompasses everything from how you treat it when you walk in the door, whether you feel that the bank actually has your interest at heart, language, and how welcoming the place feels. So, it is really very broad, much broader than certainly what I think we expected when we began those focus groups.

MEMBER MURPHY: If I might. The reality is unconscious bias that all of us have shown up, oftentimes, in places where -- and the whole notion of unconscious bias is we all grow up with biases. And from a diversity perspective, whether it is race and/or gender, sometimes those things show up in our language, in the way that we communicate, the way that we don't communicate. And oftentimes, that creates this issue of trust, that I am not valued for who I am, I am not often seen as somebody who you think I ought to be. And sometimes the complaints have an underlying theme around this notion of unconscious bias and how people feel about how they have been treated, which leads to this notion that when I look across the desk and I see no one like me, I see no one who even understands me. I oftentimes walk away saying this is not a place that I am welcome.

And so I just want to be very clear that that is a dynamic that in this context oftentimes happens.

MR. ERNST: Very powerful. Bob's jumping in and Angie and Pat are patiently in queue.

MEMBER ANNIBALE: Just to follow so much on what Bruce was saying is if we look at where to go to make the next deepest dives of progress on the area, you know I go back to page eight on the unbanked because that is the least blurry. People use many services so the underserved can be a part and you end up with almost six times the unbanked of the black community than you do the white.

And if it is 3.1, it is really interesting. And you can break that down further, I'm sure and understand where within the white community that comes from. But when you are already looking at the divide at six times the notional number for the black, almost that much for Hispanic, I think as we go forward, since we have this history, overlaying data more even from within the survey, and I know it is available so some of us probably should do that research based on the granular data you have. Where is that really showing up and coming out from? Where is the trust issue biggest in terms of showing itself?

And I think it is a lot of what Bruce is saying. I think we have built platforms and a system that addresses many of the majority of the population well but not everyone. Many don't feel we meant it for them.

And so I think we need to be able to start to do the next level of granularity to interpret where do we target best? And when we target those communities that are most out, our own experience has been with intermediaries. It is meant you need it to find the trusted community organizations, municipalities or others who can help navigate that because all those marble palaces are all over the place. The branches are there.

Very low on the numbers were branches and branch location as an impediment. People didn't perceive that as an impediment, interestingly. And I wouldn't have thought so, especially in urban areas.

But when we take on 10,000, 12,000 women from Green America in New York who never had a bank account before and they are in Queens, Brooklyn, the Bronx, it is not because there are no bank branches. They just never thought they could go into them, that it was for them.

Trusted intermediary also provides that level of appropriateness. I mean they, in some ways, provide a level of screening of the products that are going to be shown to someone.

So, as we start to think about deep dives going forward, we do all need to disaggregate the data more and then look at who are the partners to get deeper.

MR. ERNST: All right, thank you. So, just so everybody knows where I am, I have got Andrea, Pat and Michael. And if people want to give me a nod, I will put them on the list as well.

MEMBER BOSTON: Can I just mention something I think is important to what Bob just said? We definitely need the intermediaries but I also think we need to speak to the national marketing and advertising of the banks. They do not reach out to people of color. Most have the idea that we will use the general market ad agency that we will make some nice great ad that will capture everybody and most of them only want the affluent.

So, even before you get to the intermediaries, you have sent out a message that well, you are not who we really want to speak to. And the reason why this stuck out to me because we have had this finding with wealth-building companies in America. It has been well-documented that people of color do not feel that they have engaged their community. So, to get this same finding at this number for banks is significant, is really an important thing that we should look into because we want to have -- so basically, you really need to have two or three different marketing programs to make different people feel welcome in the first place.

I just wanted to add that.

MR. ERNST: Thank you. Andrea.

MEMBER LEVERE: So, Bob,that was a fabulous introduction to what I wanted to talk about. I want to think about the implications in pre-context which is what is the power of data in giving people a different perspective on what the world is like. How do we then connect this? And this goes back to this question of trust into the exploding movement on the integration of financial capability, which is not just bringing in organizations that are focused on financial counseling or credit building or others but it is cutting across all the different sectors from healthcare to incarceration to others because they totally understand that if you don't deal with the financial insecurity of the person the outcomes are going to fail. And then third, bring back, maybe Pat raised this, some of the FinTech solutions that are actually working really well to address this issue of volatility, which really means that our whole vision that there was income on a monthly basis is now being exploded and you have the same kind of issues I used to do when I did small business lending, which is cash flow varies by the day, if not by the week. Households are having that same piece.

Number one is just, again, affirming this point that the data you have created also have been married with a range of other data. We have been working on a major new initiative with J.P. Morgan Chase on the racial wealth divide. As you know, we have taken your data, taken it down to the neighborhood level but added with that full set of other data points that are reflective of financial security or insecurity and also all sorts of other asset building to really reflect how does banking and banking status fit into these broader economic issues. So, the power of your data as a kind of place card within that and then thinking about how we all bring that to communities who never heard the word and who don't know the word.

I still get attacked all the time by people who say it is unfair to ask low-income people to save. I am so excited that I have the data point from that law professor at University of Virginia that tells me on average the financially underserved person is now spending $2,400 a year on fees and interest and that stops them, even when it is in front of the entire financial aid industry of America. And they said it was unfair to ask a low-income family to save.

So, I think thinking about how we use that data.

Number two, this issue of trust is we all have networks of institutions that are those trusted intermediaries. They are standing in line to figure out how do we integrate basic financial capability or access to financial counseling into the work we do.

So, again, we take this data and misunderstanding and the kind of sophisticated analysis you have done in terms of the segmentation of different populations I think is a real opportunity for us, as we think about integrating this in the curriculum.

And then last piece is that there is a set and they are mixed in their value because they are all targeted to lenders, Michael and my children who don't have any cash, but there is a FinTech application called Even, you may be familiar with this, that really helped you use an application to even out those income flows and to know how to save a little and use a little.

So, I think that that is CFSI's work and that is a way we can think about linking that because that is not a substitute for a bank account but that is a complement to how we think about it.

So, I think there is like three very concrete areas we can all work on together to expand the knowledge base, figure out how to integrate this and also link it to other tools that are easy as a complement.

MR. ERNST: Thank you. Pat.

MEMBER MCCOY: So, I would like to key

off of what Andrea said. You know if you look at larger trends, we have seen the average family's inflation adjusted real wage flat, maybe slightly declining. We have seen increasing income volatility and we have seen increasing income inequality. So, your work fits, in a very important way, into these larger issues.

On the income volatility, one of the things I am intrigued with with your implications and your suggestions is normally when we talk about smoothing income volatility, at least in financial services, we are talking about credit products.

And so the whole debate about payday lending, in large part, is to what extent do we preserve it in its present format as an income smoothing mechanism. But your focus has been on techniques other than credit, which I think is extremely constructive. And I would like to just urge you to go farther down that path.

And so first of all, the issue you have raised, which is our really antiquated clearance system for payments, I think there has to be a regulatory determination that we are going to move to real-time and we are not going to wait six years or ten years to do it. That would make a big difference to people.

Another thing that I recently heard coming out of an MIT laboratory on FinTech is the idea of encouraging employers to deposit wages daily. And that could have pluses and minutes. I'm not sure it is panacea. But as you are thinking about reaching out to employers or other depositors, that might be something to explore the pluses and the minuses.

And then something -- I am not familiar with the application you discussed but that application and something I was talking about with Ted, programs to help people when they do have a more flush period, to encourage them to perhaps save the added increment into savings and help smooth that way.

The final thing I will say is that would it be worth conducting focus groups with unbanked consumers who are having income volatility issues and ask them what would really make a difference to you, apart from steady wages. Are there other things that would help you get from paycheck to paycheck? Because they may come up with innovations none of us has thought of.

MR. ERNST: Great. Thank you, very much. That brings us over to Michael and I have Martin and Ted on the list now, too.

MEMBER BARR: So, Keith, you must have planned this because what I would like to say really dovetails nicely with what Pat said. I think Pat was spot on about these set of issues.

And let me add, again, I don't think we can compliment you enough for this work and I am really excited about the introduction of the income volatility research into this mix. It is a key issue, not just for low and moderate income families but for middle income families as well.

So, I think Pat is right that we are looking for sort of a range of tools that will help individuals better manage their income volatility. And some of those tools are credit tools. Some of those tools might be insurance tools, which we haven't really talked about yet. And it relates to our social welfare system and unemployment insurance and how good we are at replacing income and a bunch of other factors.

A sort of third tool would be techniques to increase savings and that might involve some financial technology but could also be linked to a broader set of issues around earned income tax credit and deposits into these accounts, as well as Social Security issues for the older population.

And then as we were talking about earlier, the sort of transactional services and financial management tools that can help people better manage their flows even without giving them new sources of income or changing the volatility of income and expenses.

There are some, I think, policy things for the FDIC to think about in that broader space. It is obviously a big space and involves lot of moving pieces. But one is with the other bank regulators and with the CFPB, issues around the way in which financial technology intersects with the banking system. As most of you know, I think there is a huge fight now over how FinTech and banks share or don't share access to customer account information. And there are big values at stake that don't necessarily point all in one direction, privacy, security, data integrity, consumer autonomy, and consumer protection I think of as the four kind of key areas to worry about.

And our current system for worrying about those is not organized in any policy framework. It is just the FinTech guys and the bank guys are fighting with each other about whether scraping is good or bad. And there is not really a policy dialogue about what is the mix, what is the right policy, regulatory framework and what is the right technology to achieve those four, I think, fundamental values. So, I would urge spending some time thinking about, worrying about that.

The second big policy area I think that intersects on this that Pat already mentioned but

I am going to mention it again because I think it is so important, and that is in your page four, which is getting money faster. So, if you have direct deposit, that problem has been mostly fixed but if you don't, and that is a big part of the group that you showed us, that is a real problem in not having good funds now. And I think the FDIC can play an important leadership role in pushing us towards immediate or close to immediate funds availability, with whatever exceptions are needed to deal with fraud and other problems.

The third big area the FDIC is hugely aware of, of course, is overdraft and Martin mentioned earlier this morning. So, if one of the things you are worried about is income and expense volatility, adding a new expense volatility to that problem is not likely to help. And so accounts that guard against that I think are wise.

Anyway, I have more but in the interest of letting my fellow Board members say a word or two, I am going to stop there.

MR. ERNST: Thank you very much. We

have Martin. We have Ted, and then I have got Alden and Jose.

MEMBER EAKES: So my first comment is that I am sort of surprised about the consumer perceptions I think are pretty accurate. The unbanked group that thinks half of them that banks really don't want to serve them, I think that is roughly accurate. You know I think that it is probably true, that it is not just a perception. And then the half or the large percentage who say I don't trust banks, I think that we, as financial institutions have sort of earned some of that distrust. I am not trying to be too negative.

But I remember a story with a person who had been CEO of a very large regional bank and was the President of the North Carolina Bankers Association. He told me at the end of his career he said there are two things that I actually -- only two things in my whole career that I am not proud of in the banking world. The first is that we really did shut down branches in rural areas and low-income communities. So, Bob's point I think has not quite been my experience that people still want to have a branch to be able to open their account and to be able to go to when there is a time of a problem. And we really have not -- in my town, we have 30 or 50 branches on one side of town and we have not a single financial institution branch on the entire east side of Durham, which is a relatively prosperous town that happens to be largely African American. Not a single branch.

So, he was just saying that is one thing we really did shut down branches and it was all driven profitability and logical reasons.

And the second thing he said I am really embarrassed by overdrafts, that that was the one place that we, as a banking sector, made the journey of low-income consumers worse. We added to their volatility, rather than taking it away.

And so I am just sort of thinking that a lot of this is not increased marketing, per se. It is us taking a look inward and figuring out how can we make our costs, like we have over ten years, with the safe balance and Safe Accounts, make those fees less volatile or marginal financial families.

And I do think we have to figure out, even with funds, how to have not a blanket of branches in low-income or rural areas because it is not financial viable to do. But we need to have points of presence that can be what I call a safety blanket, where people can come to open an account or they can come when they need a face-to-face contact.

The other thing that struck me in the earlier mapping was what I think is an overlap. When we looked at the maps, the geographic maps, we saw in the southeast and the southwest a real preponderance of unbanked families. When we looked at the black, Hispanic, and elderly, we saw a higher disproportionate number of unbanked.

And when we looked at lower income and volatility, we didn't get the weightings. If we did, I missed the weightings for the different income classes for the proportion of people who are there. It is probably there but I missed it.

But I think all of those are somewhat

overlapping. That if we really wanted to make an outreach, we are going to have to make a difference primarily with African American and Latino families that are almost 20 percent unbanked. That is the place where we have opportunity to really reach.

And then I started thinking, what are the implications for that? If we think about undocumented immigrant families, we have 11 million people. I'm guessing that is probably 6 or 7 million households. I don't know what the percent of your 7 percent is actually immigrant households. You feel like not only do financial institutions not want me, they have challenges in even being able to integrate us into their system. And so I would love to do some sort of deeper disaggregation of the 7 percent that are unbanked and figure out what the strategies are.

My final conclusion was that if we moved the minimum wage from $7 dollars plus to $12.25, we would make more difference on the unbanked for people who feel like they have enough money to put into an account that there are some things that are outside of banks' control or outside of this committee's control that would make a huge difference in making the whole financial system more accessible. My guess is that those factors really dwarf the other ones that I have talked about.

So, those are a jumble of miscellaneous thoughts but the fact that you are generating this kind of discussion in the data, it really is quite remarkable.

MEMBER ANNIBALE: And Martin, my mention of the branches wasn't about not having them because all of the ones, the accounts were opening and coming eventually through branches. Today it just was they weren't enough. Having branches in some of these communities by themselves still needs outreach.

MEMBER EAKES: It is a necessary but not sufficient --

MEMBER ANNIBALE: Yes, it is necessary but not sufficient and we absolutely need the hubs, the branches for whenever we -- we all need them but we have issues and we want introduction of the new accounts to meet our KYCs and to service people who want a certified check, if you want to make a transfer. But it wasn't enough, just using the example of a city where you have dense numbers of branches but still a high number of unbanked people because they didn't feel the branch was even accessible. And I think that is where we, when we look at the African American community, the Hispanic communities, immigrants for sure, we have a big focus on immigrant focus now, it really does take some intermediaries to help us with the trust and also the translation of the utility of a bank account for somebody. Because otherwise, you know Mark brought it up, is it a solution for what I need.

MEMBER EAKES: One of the things that is attention and confusing for me is I have these two things I was saying to advocate for. We need to have more bank presence. We need to get rid of overdraft fees. The two of those are actually related in a sense that people, banks can open branches that really are non-helpful because they have got all these overdraft fees. I once had bank who told me, he said my whole strategy is to open branches and get as many low-income checking accounts as I possibly can because that will pay for it.

He wasn't trying to be evil. He was just saying that is a strategy. And so I know I am arguing things that are -- but I do think that we have got to get rid of the overdraft fees as completely as we can in the system. We can figure out how to have low cost points of presence that aren't unrealistically unviable but we have got to do both of those.

MR. ERNST: Great. Thank you. So just, Mr. Chairman, we are at time. We have a few members of the committee in queue. I wonder if we might take those and then evaluate where we are. Thank you. Ted.

MEMBER BECK: This is quick. It is an offer. We are funding research right now. And I think under the income volatility thing you are on to something very important, so I will just focus on that.

We are funding research right now on the effect of income disruption, which means you have lost your job for six months. And I think making sure that the two are linked are very important. Here is a data point for you. In the lower half of the income distribution level during your working lives, you are probably going to experience four income disruptions. In other words, a significant drop because maybe if it is a couple, somebody lost a job. So, I think tying that kind of research, which I will give to, into this volatility thing, really starts to get at a broader picture about what it is like when suddenly your income drops significantly, as does probably your credit worthiness. So, you lose your job and then you get cut off. It is a double whammy. So, if you want it, we are happy to give it to you.

MR. ERNST: We will take you up on that offer. Thank you.

I have Alden and Jose.

MEMBER MCDONALD: I will be very short. In looking at the survey and navigating through it, a lot of these issues that were determined in the survey mirrors my institution, the fluctuation of income, the funding availability for example, Noah's shop, all funds are available immediately in our shop. And for that reason, that the availability of funds for our customer base is very, very important.

We have low fees across the board. So, I am offering our institution and the data that we have to your group to do the deep dives that has been requested here. And I think our staff can also answer some of the questions that perhaps you may have.

So, we could be a good laboratory for you in this area. And in addition to that, I hope we will find some answers to some of the things we don't know the answers for as well.

MR. ERNST: It is always great to discover those. Thank you very much. It is a very generous offer.

And then Jose.

MEMBER CISNEROS: Yes, thank you very much for this work. The data you have on lack of trust and on also the presence of perceptions of the banks don't want my business. Those are two things that we have been observing in the ten years we have had the Bank On San Francisco program but seeing the actual data to back that up is very exciting.

What we did to try and deal with that was, of course, just the essence of the program itself was to put a voice behind the message you should consider getting a bank account, other than just the advertising coming from the banking industry. So, to use, hopefully, another voice that would say this would be a good thing for you to consider was one opportunity we tried to access to do that.

What we actually found, and all of this, of course, is only anecdotal, but we also found was actually having another person, a trusted individual in an unbanked person's life, deliver that message you really should consider or you would be better off if you stopped going to the check casher and instead went to the credit union around the corner or the bank that I do business with or whatever.

Really anecdotally we heard the most successful way to get unbanked people to get over this hurdle, these challenges of I know they don't want me to walk into their bank or I can't trust that they won't harm me if they walk into their bank. And so we have really, from the very beginning of the program, we tried to leverage those human-to-human contacts, those trusted voices, when we reached out to community groups, when we reached out to faith leaders, when we reached out to labor leaders, when we reached out to employers and we said could you deliver the message please as part of our program. Partner with us and tell people they really would be better off. And if necessary, take their hand and walk with them to the bank or the credit union. Do whatever you can but what we found was that when we did that, it helped. We even found that a social worker, a city social worker who had a regular conversation with low-income benefits, supportive individual just took that person around the corner to the credit union, a 70-year-old woman who never had a bank account now got a bank account at a credit union, something she had never imagined she could do in her entire lifetime.

So, I guess my question is how can we find out more about what some of those trusted voices, trusted resources are in our community. I am guessing this isn't a survey question. This might be more of a focus group. This might be more of some pilot testing. This might be some more creative ideas like that.

We are, in our cities and our coalition, we are trying many, many things. Many of our cities are now putting individual one-on-one coaching opportunities in front of many of the people that we work with. And a one-on-one coach who is helping you improve your credit score, clean up your outstanding debt, and organize your finances can oftentimes be successful in helping you gulf that divide and go over to opening up a bank account.

In our children's savings account program, we are reaching out to teachers, to principals, and others to say why don't you encourage these kids and their parents to start saving for their college education? And I guess not that big of a surprise, their voices are more and more persuasive than say the city treasurer's or the bankers or whoever. And that is a great thing. If we can employ more of those trusted voices, those trusted individuals or organizations, I really think that is what we might be able to see as the key to bridging this gulf that seems really difficult.

MR. ERNST: Thank you. So, Mr. Chairman, I think we may have reached a point where we have an opportunity to move to the next panel. It may not last.

CHAIR GRUENBERG: I'm going to take the prerogative to take two more minutes. And I imagine it came up this morning but of all the things in this new survey, and the richness of it is really pretty remarkable in terms of the findings and there is a lot more to be developed.

Think about the value of a bank account. And the most elementary thing that I was just struck by was the simple security of having a place to put your money where you won't get ripped off, hopefully. And the number that just jumped out was the 20 percent of unbanked households that are able to save, nearly 70 percent kept those savings at home or with a family member, effectively, under the mattress in one way or another, with all the vulnerability in terms of the security of the money and failure to generate any earnings off of it contrasted with banked households, where nearly 90 percent keep that savings in an insured bank account, where it both secure and has the ability to generate income for the household and potentially access to other financial services. It is the most dramatic illustration to me from the survey of a threshold benefit of having a bank account and it is real and it is material but the numbers are dramatic.

So, it is just sort of, at least from my standpoint is the clearest illustration of the value of having access to an insured institution. It just may have come up this morning but it just was so striking just in underscoring the point we are trying to make about the value to people of having access to an insured institution.

MR. ERNST: Thank you.

MR. REYNOLDS: Good afternoon, Mr. Chairman. Shall I begin?

Good afternoon. As many of you know, the FDIC has a long-standing commitment to financial education, as it is a critical component of our efforts for low-economic inclusion. In fact, this is the 15-year anniversary of the Money Smart Financial Education Program. And as many of you know, we are a member of the Financial Literacy and Education Commission, which Congress created to develop a national strategy for financial education. And since 2012, the FLEC community strategic focus has been on helping young people have an understanding of financial -- basic understanding of finances as they start their careers.

Under that strategic framework, the FDIC and the CFPB have been collaborating together on the set of activities to help young people become more financially capable.

In October of 2013, we sought your insights on our next steps for our financial education work. One of the things that we heard was the value of experiential learning, in particular experiential learning involving a bank account.

In April of 2014, I joined a few of my colleagues from Treasury and CFPB to share some new research and gain some insights on next steps for our youth savings work, including the idea of a Youth Savings Pilot.

In May of 2015, we introduced a Youth Savings Guidance and Chairman, for you, the pilot had just gotten underway. We got some good ideas that shaped our work.

Today, I am pleased to be part of a panel that will convey to you some of the key lessons we learned from the pilot and invite your ideas and suggestions on our next steps.

Ron Jauregui will start us off by overviewing what the pilot was and conveying the key lessons from the pilot. Ron is speaking on behalf of the core project team that he led, which also consisted of Nicole Lynn Meyers, Tracie Morris, and Sherrie Rhine.

Then we will hear from two bankers who led their institutions in collaborating with schools on new savings programs. You can get a better understanding of how some of the programs in our pilot worked.

Then, you will hear from an educator. You will hear an educator who was collaborating with one of the banks in the pilot to hear how a program worked from the eyes of an educator.

Ron.

MR. JAUREGUI: Thank you, Luke.

Okay, the pilot has served to help us identify promising practices in which banks are combining financial education delivery with access to savings accounts. Prior to the pilot, we knew that many banks had a long history of relationships with schools wherein they offered financial education. However, we had also become aware of a growing number of banks that had questions on how best to support both Youth Savings Accounts, youth savings, and financial education. And it had become increasingly apparent to us that there was limited information on how successful bank/school partnerships could make positive impacts on our country's youth.

Our pilot will culminate with a report we expect to issue near the end of the year to communicate lessons learned from the pilot and to convey promising practices for banks to use when working with schools or other organizations to combine financial education with access to savings accounts.

Through our individual interviews,

group calls and surveys, we learned about startup and implementation efforts. We also got to discuss expansion issues, ideas, and challenges. Our conversations also dealt with changing circumstances requiring modification on ongoing efforts. And we conversed about emerging issues and potential resolutions, while also taking the opportunity for general information sharing.

Having a two-year pilot was especially useful in that it allowed us to give context to evolving circumstances. The surveys we developed were designed to elicit basic quantitative information on the number of accounts and student participants involved in the bank efforts. They were also designed to help us engage our banks in dialogue that would produce a useful narrative for us.

Pilot banks followed three approaches. The school branch approach: these are managed by experienced bank adult employees with student bankers working as customer service representatives, student tellers, et cetera.

They are often linked to peer-to-peer engagements, such as one-on-one financial education activities or classroom question and answer games.

In-school banking approach: These are temporary banks set up in cafeterias, gyms, libraries, et cetera. These setups are aimed at encouraging students to open and add to savings accounts. They are often linked to individual classroom or school-wide financial education engagements led by bank staff, students, school personnel, or nonprofit partners.

Student volunteers operate the bank and take deposits, sometimes bank staff or other volunteers also do so. Bank staff will later turn or return to their corporate branch and process the transactions, while providing deposit slips to students thereafter.

Nearby branch visits is another model. In this model, banks will collaborate with schools or nonprofit partners to provide financial education to students and sometimes to their parents, while encouraging students to open up savings accounts at a nearby branch. Some banks even provide transportation to a corporate branch, especially when distance or logistical concerns are an issue. They will also provide students, sometimes, with opportunities to tour the branch and engage bank staff.

This is simply a visual on how the models break down among our pilot participants. Again, some pilot banks use more than one model simultaneously.

These preliminary lessons learned mirror our upcoming report on the pilot, regarding strategies, for instance. Sometimes the relationship with a school simply starts with a spouse of a bank official who happens to teach locally. At other times, it is a strategic customer relationship that already exists with the school district and both decide to work jointly in order to increase the financial capacity of the entire student population.

Examples of challenges. Securing opportunities to get face time with students is no easy tasks, as teachers are rightly jealous of their time with students. But banks can succeed, especially when they speak about how financial education could complement math and social studies courses.

Winning over parents can be a challenge as well but offering them enjoyable financial opportunities helps.

Finally, managing engagement with students as they move on to higher grades and graduate is also a challenge.

In the second year of the pilot, our participants created over 4,500 new accounts. About 300 of those were accounts opened by the four banks that started brand new Youth Savings Programs during their time in the pilot. The remainder were opened by the banks that entered our pilot with well-established programs or had expanded their existing programs to new schools.

Regarding the types of accounts, all pilot banks offered students the opportunity save and some banks were able to offer checkless checking accounts and online or mobile features. These options, arguably, made participation more attractive for the students.

Account structures: decisions on what account structure to offer depended on a variety of factors. And even banks that used a single structure, like noncustodial accounts, often had different reasons for doing so. Some banks that offered noncustodial accounts, for instance, did so because they were convinced as to the importance of empowering students to take ownership of their own savings habits. Other banks offering that same structure had determined that students were more likely to want to save when their savings were not subject to withdrawals by guardians who might do so without their permission.

Regarding program features, some banks have opted to provide monetary and/or nonmonetary incentives to increase student participation in the savings components of their program. Many banks provide a seed amount that can be matched by students upon opening the account. Other banks encourage students to maintain their accounts by matching dollars when the student has maintained their balances for a certain length of time.

There is a range of formal instruction options that the banks pursue. Sometimes schools provide financial education classes that are offered to the general student population. At other times, the bank staff play the key role. Some lead impromptu groups with students. Other banks choose to use structured programs like the Money Smart for Young People curricula, focusing on the interactive aspects of the curricula. Still, other banks choose to leverage student tellers to lead fun and engaging sessions.

A few banks rely on the occurrence of the savings transaction to advise or merely share information with the student depositor.

Regarding teacher involvement, teachers seem more prone to increase their involvement when they see personal growth in their students over and above their grasp of financial issues.

Banks sometimes use a single curricula at the end. At other times, they will use multiple products or programs. Some banks relied on nonprofits, who used proprietary programs that seemed customized to specific cultural nuances.

Money Smart for Young People was the curricula most commonly cited as a program that was easy to use and digest.

It was notable that bankers in the pilot often said that their staff gained satisfaction from the community good will earned from the program. This might suggest that it is important for banks to allow their staff to directly see the impact that their efforts are making on the student populations.

When a student population represents an LMI demographic, then there is also the potential that the bank could earn CRA consideration. While improving the financial skills of the student population should be the primary driver of efforts, such activities might also provide a tangential benefit providing a ready pipeline of future bank customers. Meanwhile, some schools were drawn to the potential enhancement of student academic performance as a result of their interactions with a bank.

This slide shows some of the investments that were made by pilot participants. It is important to note, as we intend to do in our pilot report, that not all banks track costs specifically and even when they do, each treats them differently driven by their particular accounting practices.

This slide displays the list of banks that were selected by the FDIC to participate in pilot. You will note that we attempted to have a diverse pool of participants. Some are national in scope, others are regional, some are small community banks. The asset range they hold is wide. We also succeeded at getting banks from every FDIC region. And not all of our pilot banks have the FDIC as their primary regulator.

Finally, in formulating your questions to us, we thought you might find it useful if I were to remind you as to the criteria that we used in selecting the banks that you see on this slide. In general, we sought banks that one, used the FDIC's model safe template, Safe Account Template; two, banks that focused on the LMI demographic; and three, that had a thoughtful onboarding process.

Thank you and now we will turn to Julie Thurlow of Reading Cooperative Bank.

MS. THURLOW: Good afternoon, ladies and gentleman. I am here representing Reading Cooperative Bank. We are a half a billion dollar mutual bank out of Reading, Massachusetts. So, I am actually here just to talk about our student branches but I wanted to step back and talk a little bit about how we ended up where we are right now.

From our Board's standpoint, Michael Porter wrote a white paper about shared value strategy and we actually embrace that as a bank and as a Board. We are a mutual. We were created by our depositors. So, in that same vein, we actually took a look out at our market and said okay, what is the financial need that is out there. If we are going to solve a societal problem, what can we, within the framework of our demographics, where are those needs. And we identified seniors and youth and financial literacy, really looking back at 2007 and if we were more highly educated in the financial markets, if everybody had a better understanding of their banking relationship, then maybe we wouldn't have had the struggles that we had.

And at the same time, the Federal Reserve Bank of Boston published a Color of Wealth in Boston. It really matches a lot of what we saw today and really when you are looking at the future, it really is a stark concern as far as all of our markets are concerned.

So, that is who we are and how we got to where we were. One of the things I probably should mention, the city of Lawrence is within our market area. It is a gateway city and there is a fair amount of unbanked and underbanked individuals in that market and it really operates as more of a cash-based society. So, we are working on identifying ways to reach into that market.

So, we actually have three different models that I am going to tell you about. First of all, we have two bank branches. The Reading Memorial High School is a student-run branch which pairs with a banking class that is the academic class and it really serves as a lab for the students.

Ninety-nine percent of the students do go on to college. From there, they become employees of the bank. So, it supports us. It is a win-win. Again, society benefits but we can benefit as well. And the bank serves as a lab for the academic course. And the students in the class end up doing peer-to-peer training and financial education across the model.

And I have to say, again, doing good and doing well because of it, the community has really rallied around that educational source and the feedback that we get, it is a positive for our brand as well.

So, we also opened, more recently, this

past year in the Northeast Vocational High School. Vocational schools, I'm not sure how many states have them but it is basically a school where you can learn a trade. You can learn business and pair that with academics. And so in that branch, the business program that we paired with, the students actually run the branch one week and the following week, they end up going into their academic courses.

And as far as what we offer, anything that can be gotten at our branch in our main offices are available through our branches. So, we give the kids a checking account. We give them a savings account. We allow them to have online banking. And the biggest success has been rolling out mobile to them two years ago. Over the last two years, when we go back and look at the student accounts, they used to, especially in the Reading High School branch, they used to open the account and use it while they were at home. And then when they would leave for school, they would have to leave their checking account as well. Mobile has allowed us to navigate straight through that for the last two years. We have not lost a single account for our students that have gone away to college. So, we are really happy with that.

And we have enjoyed having the kids back, as far as coming back as employees, they just give you shot in the arm. At 21 years old, they are going to save the world and they are really good for us culturally as well.

I did put in that just because it was so rewarding for us, a testimonial from one of our students at the Vocational School just talking about how she feels she is a better person because she has been involved in the banking program. She has learned about security and that is one of the things that was surprising to me is the students don't realize that once they put their money in a bank that it is secure. And they also don't realize that it if a breach occurs and they weren't the cause of the breach, that we are responsible to put them and make their account right. And so that was something that all of them are really surprised to find out.

The last program that we actually run is a literacy program. We just started it this year. We started it in September. It is in the city of Lawrence. And if you want to talk about challenges, I think the biggest challenge for these programs is getting into the schools. They are focused on academics. They only have the kids for a certain number of hours. So, Stacey, the woman who we worked at the Lawrence High School really carried this for us. And we are in there every single week. We are teaching life skills from opening a checking account, to interviewing for a job, for how you fill out your resume, what your paystub is going to look like, making sure that they take advantage of a match on a 401k. There is just all these little values in life that you learn from your parents that when you are talking about a gateway city, maybe their parents don't understand and they are not able to mentor them.

So, we’re offering a semester-long literacy program with all the things that are listed above. We are giving them all a savings account. This is actually starting, I didn't mention, with the sophomore class. Get them before they have a job. So, we are teaching them at sophomore about all the things that they need to know in life. We are pairing them with a banking coach. And when they get their job, they are allowed to open a checking account. The parent is not on the account. That was very important. The year before we started this program, we actually used the kids as a focus group and asked them what is important to you. And it was very clear that they don't want their parents on their accounts. And I will admit that I am on every single one of my children's accounts and I monitor their behavior all the time. So, I get it.

So, we are setting up savings goals. When they attain a goal, we are giving them a reward for that. They do need a Social Security number to open an account with us. That is something that is a requirement of our system and our regulator. So, we use the student ID and a Social Security as far as identification to get them into the account, as I said, the mobile app and savings coach. But we did learn that texting works best. Don't send an email to them. And they have turned around and totally they have asked us for our PowerPoint decks after we have done a class. I just did a class last week on credit score, how you improve it, what it is, et cetera and the kids wanted it for their mom because their mom wanted to buy a house.

So, when you talk about building trust, the opportunity to work with kids, build the relationship with them, show them how to use the tools that we are offering and then they are going to bring it home, or so we hope.

So, I mentioned the safety and the kids do have examples. One student told us that she wanted the account because the way she was punished was to have her savings taken. So, this is then an opportunity for her to keep her money and keep it safe.

I did make a couple of notes. So, again, I mentioned that the administration and having them onboard is really imperative. The only other thing as far as challenges, one thing I will mention and I know you have heard it before during EGRPRA, but as we were migrating to mobile only for these kids, they are going to be transferring a lot more. So, the Reg D limitation on the maximum number of transfers out of a savings account into a checking account, that has become an impediment for kids because they do a lot of transferring. Transactions are big for them and we want to encourage saving, not discourage it.

And then the only other challenge that I would say after listening to some of the remarks here, the BSA policies have caused banks to say we don't want that business here. And so if we are not going to cash checks for noncustomers because we are afraid of the BSA implications, how are we going to be able to monitor their behaviors as check cashers so that we are willing to give them a checking account? So, developing recommendations or pathways to get an unbanked account into the banking system would be really helpful. Thank you.

MR. REYNOLDS: Thank you, Julie. Michelle.

MS. HUDDLESTON: Good afternoon. Thank you very much for having me here today.

I am Michelle Huddleston. I am the Executive Vice President and Chief Operations Officer of Commercial Bank in a town called Harrogate, Tennessee. Commercial Bank is a $980 million bank. We have 22 offices in Eastern Tennessee and Eastern Kentucky.

We started our program called Smart Cents in 2015 school year, '15-'16 school year and we partnered with a long-term friend of our bank, Harlan County, Kentucky Public School System. We are in eight of the schools in Harlan County, concentrating on kindergarten through grade 8.

Again, we have a long-standing relationship with the Harlan County Board of Ed and we set a strategic goal to create and service an in-school savings account as a result of one of our employees in that market. Her name is Abby Walker.

Abby is a lifetime resident of Harlan County and had seen most jobs and wealth leave this area as the coal mining industry had left.

So, she lobbied our bank management and our Product Review and Development Team for three years and we agreed to create this product last year. And it was one of the best things that we have ever done. It has been a great personal experience for me.

But she really wanted to stop the bleeding and believed that the teaching of our children to have hope and to make smart financial decisions would save the community and be a huge part of the economy of Harlan County.

Smart Cents has two separate parts. Students are not required to participate in both. We offer a savings account. And again, our Product Review and Development Committee, we have agreed we would pay a higher rate of interest to it. We would have no opening deposit requirement. We would take a different route to our Customer Identification Program and working with the school system in doing the verification and documentation. We do require a custodian on the account but we never require the custodian or the student to come into our bank.

We start those at the beginning of the school year but a student can open at any time. And they make deposits throughout the year when we visit, which is typically biweekly.

We give incentives with each deposit that is made and also on their birthday, regardless of the balance in the account. So, a penny gets the same prize as $100. And we have seen deposits of both.

We have several local business owners who are very excited about the program and throughout the year. And as we continue it, they are donating incentives or supporting the program like giving a meal in their restaurant on a birthday, or we are sponsoring end of the year programs for them, field days, popcorns, waters, those kind of things, movie tickets. So, it is becoming a really popular thing that is known throughout the community.

In the school district, Harlan County has about 2,000 total students with about 1,100 of those being K through 8. And last year, we opened 200 accounts. Only one was closed and that student moved into another school district.

And now we have started the program again this school year. We are one month in and we have already opened an additional 125, which is bringing our total to over 300 and about 18 percent of the total student population.

The second part of the partnership is a commitment that Commercial Bank made to teach financial education classes throughout the year. Our employees logged over 300 hours of service in the schools last year and that included our planning and travel time as well.

We completely use the FDIC Money Smart Program. Bankers are certainly not teachers that have a lot of good classroom control. So, we have found that to be a very good tool for us and it is a very enjoyable time for us as well.

Also, those programs are helping and the teachers see value with that program and the curriculum requirements that are in there.

We have already had three other systems contact us about bringing the program into their school. Word is traveling.

What we have learned: there is a reluctance of teachers to get onboard because of concerns of their time. They assume it is another thing for them to do in the day and they already have enough to do. We have really good teachers who care immensely but they just have a lot of pressures in their every day.

So, we made a change. Last year, we asked them to send the paperwork home and explain how the account would work. This year we took the time. We went into each classroom. We did that ourselves and we really feel like that is what has put those numbers up so quickly this year.

Also, spending a year in their classrooms teaching financial education, improving the value and the benefit to them has certainly made a difference in that as well, in that support. But without that teacher support, the program is nonexistent.

Another problem or thing that we have learned is that children get very excited about the program but it isn't always supported at home for a variety of reasons. The most challenging thing for us in this particular market has been that the custodian on the account doesn't want to reflect assets in the bank because of their benefit programs that they are recipients of. So, they are very hesitant in that respect. They participate very heavily in the financial education part but they are not willing to open those accounts and go on record.

The second hurdle that we have had is the parents. They don't want to put the money in the bank because they are afraid of the parent using the money.

And then the third problem that we have is that a lot of these children are not being raised by their parents. There is a grandparent or an extended family member who is raising them. And there is just simply not enough energy or financial resources for them to participate.

Well, those are things that are very challenging, hard for us to overcome, but we are working with community groups to try to do that.

And the third thing that we have learned is that it is very important to start early. We had a really hard time getting any kind of conversation going in the middle schools, the fifth through eighth grade. It was not cool for the bank lady to be handing out stickers. The only thing they might be interested in is if they got out of class but we were doing it during lunch and so we didn't help with that either. So, and they really didn't care about our cute piggy bank.

So, we went back to marketing and we came up with a new way that we are doing it this year. And have got like a punch card. Every time they make a deposit, again, we don't care if it is a penny. We don't care if it is $100. They get a punch card. And after so many, we are giving bigger prizes to those students and we are trying other ways through being in their classroom, doing projects where we have got two classrooms now that we are working with where challenge them to put a penny in the first day, the student put two pennies in the next day, and so on. And then we are matching that at end of the year as they are doing some classroom community service-type project, typically. One has already earmarked something that they want their school to have.

So, it is very interesting.

And just in closing, I want to say that Smart Cents is definitely in a partnership with the school system. We meet periodically and both sides have contributed to the success of the program. We have no doubt that Smart Cents is making a difference in our next generation of consumers and business owners.

I have been a banker for 29 years, 22 of those with Commercial Bank, and it is the most rewarding thing that I have ever done, as far as just getting to see the benefit and the value to the community as a banker.

And I want to thank you for the opportunity to participate today and for the encouragement to our industry to make this difference.

Thank you.

MR. REYNOLDS: Thank you, Michelle.

Susan.

MS. BISTRANSIN: Good afternoon. My name is Bistransin and I am a fulltime family and consumer sciences teacher at Parkdale High School in Prince George's County, which is right across the D.C. border. I could metro in today.

If you are not familiar with family and consumer sciences, when all of us were in school, it was called home ec.

And us family and consumer science teachers or home ec teachers have been teaching consumer education since the dawn of time. And my course load this year consists of teaching fashion design and financial literacy. We have had some good times with that.

So, one of the courses in my class load is I am the student banking coordinating for the ten interns that work for our Capital One student-run bank branch. And you can see, I bring pictures. Teachers always love pictures.

So, these are some pictures of the student bankers that we had last year and really, really a tremendous program. I am very excited to talk about it.

We have several goals and objectives within the program. We want to demonstrate the need to safely manage your finances as a critical life skill. We are providing critical life skills training for those interns. We connect the students to the banking professionals for mentoring opportunities and they have become a part of the Capital One family. They develop career awareness and work readiness skills and we influence their academic achievements in several different ways. One of those is providing college preparatory guidance. And the other way that we influence these ten bankers' academic achievements is I become their mom and I check their grades every four weeks, which works beautifully.

There are basically four facets to this program, four ways that we achieve these goals. The first is the students go through a rigorous interview process as juniors. Ten students are selected and the start in the summertime and go through teller training and they work in branches during the summer. They participate in a week-long leadership camp, where they discover that they could do things that they never thought they could do before.

And they are given in the course of this time family scenarios. They are partnered up and they have to compete in a budget project. So, their budget competition is consistent. They will get let's say your family is a maintenance worker and the wife works at Target. They have two children and they want to buy a car. So, come up with budget. Where do they live? What are their life day-to-day expenses and how are you going to adjust a budget so that they can manage this financial goal? Definitely a practical real-life application of financial literacy because, as they work on this, they can't believe how expensive the rent is and how much it costs to drive the car and they are actually looking up these things in real-time.

They compete against each other. Our competition is going to be next week, actually, and our winning team will go to New York and compete with the other Capital One bank branches. They have three; two in New Jersey -- I'm sorry, two in New York and one in New Jersey. So, they will do that and prepare their presentation and be able to compete against them.

The third facet is college preparation and Capital One provides a dedicated college advisor to help them prepare for college. He is a no holes barred, tells it like it is guy and he gets them to write college essays, apply for colleges, research colleges, does an awesome job with them.

The fourth facet of this program is peer education. And so what we do with these students, one of their expectations is that they will take their financial knowledge, prepare lessons, and go out into the school, and teach their peers about several different financial topics, savings, credit, identity theft is another big on that they do cover when they do that.

So they go out into the classrooms in the spring semester and reach students. Last year, I believe, we reached over 250 students through this peer-to-peer education in the classroom. They also spend their time, when they are in their branch, and our branch is positioned right next to our cafeteria, who are open during lunch hours and they are out there talking to their peers, encouraging them to come on in, open an account. This is what you really want to do. We have got these great services. Come talk to me.

We have video announcements going on at the school. So, they advertise the program that way and are continually in contact with their peers and asking them to come in and do set up an account.

Student-run branches are real branches. We have vaults, we have cash on hand. Same level of security as other branches. We are licensed by bank regulators and we are not open to the public. We are only open to students, teachers, and administrators within the building.

We focus on offering savings products. We have recently added checking accounts to students who are over 18. So, we have added that to them as well.

And the bankers' role, these student bankers are bankers. They perform teller and relationship banker roles. They conduct transactions. They participate in lobby leadership. They shadow the branch manager. They are responsible for everything the tellers are always responsible for. They teach their peers the importance of budgeting and savings. They improve their readiness for college.

They, in a sense, become role models for their peers. And they are pretty proud of the fact that they are role models. We are a school that has school uniforms and so on the days that they work, they dress in business attire. So, they stand out.

And we have asked them over the course of time, how does it feel when you are walking around in a jacket and tie and you are in a business suit in school. And they are like everybody looks at me and says man, you look really good. Tell me about that bank.

So, they become role models for their peers just by walking around the building, which is really awesome.

In turn, they have opportunities. They work one day a week in the bank branch. We are open three days a week. So, they each work one day a week in the bank and are missing classes during that time. That is one of our challenges. There are teachers who are not too happy about them not being in class and we work very hard with that to help the kids make sure that they make up stuff and don't take advantage of it.

After their first quarter report cards

come out, if their grades are really good, Capital One will extend the offer to let them work in branches on the weekends and holidays so that they can make a little bit more money.

So, we have had some really, really awesome stories. In fact, the young man that you see in this slide right here -- let me back up one. And I will show you that is the same young man. This was the year -- he was one of our very first student bankers. His name is Vladimir. He was a real nice kid but had issues at home and was involved in gang problems and things like that. And this opportunity was open to him. He wasn't sure whether he wanted to do it or not but when he was selected to become a banker, he went all-in.

And this is Vladimir today. He is still working at Capital One, on track to graduate from college. He is going to college part-time but he still is working with Capital One and one of Capital One's great success stories. And he has testified before many committees and said this program truly changed my life. It turned me into the person that I am.

And I have countless stories like that. I have one young man told me last year he had a rough year. He wasn't interested in participating in the bank but his buddy said come on, I want an interview; sign up with me. Well, the buddy didn't get in and he did.

And he liked the program. He didn't like the college aspect. His dad was in construction. He figured he would do that. He never did well in school. His grades were really bad. So, he figured no college is going to take me. He was constantly warring with his dad throughout the entire year.

And as the year came to a close, he was going to go on to community college to save a little bit of money. He still wasn't too sure about it. So, the following fall he came back to visit with me. And this was one of my best days as a teacher. And he came in and he said you know I have to tell you this. He said I started out school this week and I came home and my mom asked me how my day was.

She never asked me that in 12 years of school but she wants to know, now that I am in college, how was school. And he said it made me cry. I was so excited.

And that night, his dad came home and his dad asked him about how his day was. And he said son, I'm really proud of you. You are becoming a man and you are putting yourself right where you need to be. He said my dad had never told me he was proud of me ever before in his life.

So, these are the kind of stories that are coming out of this wonderful program. I wish we had more than ten students in it but for the ten that we have, they become my other children. And we develop a great relationship and I look forward to seeing each one of them and see what they become as time goes on.

So, this is absolutely one of my favorite programs to work with and thank you very much for letting me share it with you.

MR. REYNOLDS: Thank you so much. I just wanted to wrap up quickly, first, and then we will get to hear some ideas from you. I just want to remind everyone that February of last year, FDIC, FinCEN, and the other financial regulators issued guidance to encourage financial institutions to participate in Youth Savings Programs and answer frequently asked questions that arose.

One of the most frequently asked questions I get and I think we get pertaining to Youth Savings Programs is whether a bank can open a deposit account for a minor without requiring a parent or guardian to be a custodian on the account.

The guidance is very clear a bank needs to look to state law, talk to their legal counsel, look to state law. That is where it can get a little bit tricky because some states have specific statutes that say a bank may enter into a deposit account contract with a minor and it is valid. Other states are silent and other states have less clear laws.

And I have seen even in states where there are laws, banks don't always know these laws exist. Thanks to the leadership of John Ryan, the Conference of State Bank Supervisors survey its members and compiled a directory that is viewable by state so now it is easy to find state-specific rules or related resources pertaining to youth savings, that includes statewide youth savings collaborations that some state treasurers run.

So, now if a bank is looking whether it can offer a noncustodial account to minors, we can refer them to the guidance. And then using the guidance, based on the guidance, they can look at the CSBS website, talk to the legal counsel, and make a determination on how they want to proceed.

Tomorrow, the banks in our pilot will join together in a symposium we are hosting. We are hosting in large part because banks asked for it. They felt they can gain a deeper value of understanding from talking and seeing one another. We also see this as a way to gain a deeper level of understanding into their programs. While the symposium is closed to the public, you can watch the webcast starting at 8:30 tomorrow through the

FDIC website.

Now, we want to hear from you. After we answer any questions you may have based on what we just shared, these are some questions in particular we would like to gain insights from you so we can formulate next steps for our youth savings work.

MEMBER CISNEROS: Thank you. Thank you, Luke. Thank you all for being here. The work you are doing is exciting.

I just personally want to say that this pilot is inspirational. In San Francisco and a number of other cities and our Cities for Financial Empowerment Coalition, as many of the people in the room know, we have a program called Summer Jobs Connect, where we are working with many of our cities Summer Job for Youth Programs in trying to connect at least, if not earlier, at least a youth's first paycheck with the opening of a bank account so they are not left with nowhere to go but a rip-off check casher.

And unfortunately, what we are finding

is we find very, very, very few banks that are willing to open up noncustodial accounts for youth under the age of 18. In fact, in San Francisco, we have no bank that is willing to do that with us. And we have located one credit union that is opening up now hundreds of accounts each year for the past few years with us.

So, we look forward to working with you all continuing going forward to hopefully change that landscape.

But I am curious about some of your experiences. I know you talked about, in some cases, you guys have a bank branch in the school with safes and all that. But I am curious about experiences you guys have had with taking deposits remotely. So, in other words, going to a school and taking deposits. Because I have another program where we have opened 27,000 children's savings accounts for kids starting in elementary school in kindergarten and now they are grown up into elementary school. And we want these families to make deposits. And of course, they can always go to our great partner, Citibank and walk into a bank branch, which most of them actually do, when they make their deposits. But we know we would probably see an increased amount of deposits if we could take deposits remotely in the classroom, in the schoolyard, somewhere. But I cannot fathom how we would deal with the risk of taking those deposits and somehow transporting them back to the bank. So, I am curious if you have any insight you can share with me on how any of you might have done that.

MS. THURLOW: It might be because we are a community bank, so our markets are close by but we send two people. And everything is logged in advanced through dual control and then it is revalidated when it comes back to the main office.

MEMBER CISNEROS: So you actually have two bank employees you say that you are sending to a remote location, a school, I presume.

MS. THURLOW: We do it there. We also do it at senior centers as well.

MEMBER CISNEROS: Okay and then a

deposit, obviously needs a deposit slip and the cash or check so that you can track and know it is going into the right place.

MS. THURLOW: And handwritten receipt for the customer.

MEMBER CISNEROS: And handwritten receipts, wow! That is -- Bob --

MS. THURLOW: Bob is choking.

We go to our assisted living facilities as well. The same thing, two employees go out. They bring a small cash box with them. It is verified on its way out. It is verified on its way. And you have a logging mechanism for receipts.

MEMBER CISNEROS: It is inspirational, honestly. I mean and whether that is scalable or sizeable or not, who knows. But at least if we have some precedent, some models we can look at, maybe we can find a way to adapt something like that and with other type of supports, get something like that done. Do you guys do anything similar?

MS. HUDDLESTON: We are doing it almost exactly the same way.

MEMBER CISNEROS: Really?

MS. HUDDLESTON: We are.

MEMBER CISNEROS: God, I need your help.

MS. HUDDLESTON: We have a primary person. We have two individuals in the market and they kind of figure it out together. On deposit days, one will go and spend that time but before they leave, the second one is there for the actual security function of that. We are handwriting receipts. We have a process that we go through.

MEMBER CISNEROS: Fantastic. But the form is largely preprinted. So, it is just filling in a couple of account number or something like that, an amount, and handing back the receipt. And it probably can be made pretty efficient.

Thank you very much. You are inspirational.

MEMBER BOSTON: What size deposit? You said a penny, two cents?

MEMBER CISNEROS: She said over $100.

MEMBER BOSTON: Yes, but I just want to

get an idea of the size. And then also, do you find the parents actually coming to have a relationship with the bank? That is just a question we have -- I have.

MS. HUDDLESTON: I'll go first on this one. I think we found at the end of the year that we had an average balance at the end of the year of around $25 to $30. I can't remember specifically. But we do have some who, at the end of the year, probably only had $0.50. And then we did have a couple that would be in excess of $500. So, there had been significant savings on that student's part. They were mowing grass and those kind of things and were putting part of that money into savings.

And I'm sorry, the second part of the question?

MEMBER BOSTON: Do parents come into the branches? I guess the other question, someone is going to ask, is this financial viable? It is a good thing to do but I am just asking because you have two employees, they are going there. They are spending time. How are you justifying this from a business model?

MS. HUDDLESTON: Well, in large, because of the relationship with the school system overall in the individual schools. But we really felt like something had to be done or we couldn't sustain a presence in those communities. So, we had to begin to teach the next generation of consumers and small business owners. So, we felt it was a long-term. It is not a profitable situation for us but we felt it was a long-term investment in staying in that community.

And we are seeing some impact to the family's relationship. Again, we have a lot of hesitation because of benefit programs. We are not seeing significant change in that prospect. But what we are seeing are the schools are asking us back into parent educational opportunities. And so we are beginning to make some impact there that we feel is very positive.

MR. REYNOLDS: Andrea?

MEMBER LEVERE: So, I just want to

thank you. I was ready to cry after each one of your presentations. And I will be with you tomorrow because you are part of a national movement and Jose referenced children savings. And I will talk tomorrow about the Campaign for Every Kid's Future, where we now have over 80 programs in the United States with the goal of 1.4 million children having a children's savings account by 2020.

But I want to give one data point and ask one question, which is Julie spoke to this issue of the children wanting an account in their own name and I know there is a piece of it which is they didn't want their parents to have access to it and others. But one of the most powerful pieces of research which has been done by Professor Willie Elliott at the University of Kansas has really spoken to this issue of what it means to a child to have an account in their own name and how a child with a savings account with as little as $500 in their own name has three times as much going to college and four times as much graduating.

So, it goes back, I also think, to what Michelle and Susan said about the sense of hope. You know the phrase we use all the time is parents will do for their children but they won't do for themselves. And in your cases, it took a little bit longer than you would have liked. You know as a parent myself to think it was until the child is 18 when you said you were proud of them just breaks my heart but it finally came.

My question is how many of the children you work with, and obviously Capital One is different, had an incoming account before this program.

MS. THURLOW: If I speak of the Lawrence Public High School, the sophomores, they don't have accounts.

MEMBER LEVERE: None of them had accounts.

MS. THURLOW: None of them had accounts. And I think there is a lot of feelings, even from a banking system, you are talking about a community where 60 percent of people speak

Spanish as their primary language but yet there is not a single Spanish-speaking website, Spanish written materials, mobile app, et cetera. I think the banking community has to meet people halfway. And we have a team at our bank that are fluent in Spanish and they are actually on this team that are imagining how we are going to reach out to this community. But I think building trust, you have to meet people halfway and respect where they are coming from and understanding, reach out in the way that works best for them.

And that is why I think going through the schools was our first step. Let's take the children and allow the information to float up, so that we are building next generation customers, people who don't have a financial literacy understanding, the aha moments that happen, just like you are saying in the classroom, when the lightbulb goes on. As soon as we told them about having and offering the opportunity to open an account, the very next week, they were on the teacher. When are we opening these? When are we opening these?

So, they really get the fact that they need to get on a ladder of success and financial literacy is the first step.

MEMBER LEVERE: Michelle, how many of the kids you work with?

MS. HUDDLESTON: We didn't track that. So, I don't know an exact number but I would estimate that the largest percentage did not. Probably in excess of 90 percent this would be their first relationship with a bank.

MEMBER LEVERE: And Parkdale, do you have any idea how many of those kids? Because it is a little bit of a different demographic.

MS. BISTRANSIN: It is a different demographic, yes. We are about 70 percent free and reduced lunch population.

MEMBER LEVERE: Right.

MS. BISTRANSIN: And I do have statistics on how many accounts are open. For the 2015-2016 school year, we opened 100 accounts and our student body is about 2,100 students.

MEMBER LEVERE: And 70 percent farm?

MS. BISTRANSIN: Yes.

MEMBER LEVERE: Yes.

MR. REYNOLDS: Bob?

MEMBER ANNIBALE: It is so interesting. Thank you. You have really worked at this in such an intimate scale and so closely. And so there is a lot of learning. And it is challenging as a platform like we are, the bankers to the 27,000 kids in San Francisco. But what would you say on even a larger scale, for example, with just all that technology, that platform we built will now be in Tagalog, and Chinese, and Spanish. Because parents won't be able to read it otherwise, even we knew that even in English was challenging.

But one other thing that I am looking at other cities in scale like New York where you have 1.1 million kids in the school systems, huge numbers that are foster care and in disruptive households for many of them and many of them are undocumented.

San Francisco, the whole program includes documented or undocumented children for the way we structured it. It's okay. But do you use ITIN numbers as well? In other words, if they don't have a Social Security number? You know the IRS quite happily takes interest whether you have a Social Security number or an ITIN number they call it. I would think you might want to look into that, too, because it would allow children who are undocumented or their parents to open a bank account, even if their documented status doesn't give them a Social Security number.

MS. THURLOW: We have been lucky in this case in the district that we are in that the students all have Social Security numbers and the student ID long with being part of the school community. But you are right, that is the reason why we didn't go straight to the parents. But I have heard about using the ITIN numbers and it is something we want to take a look at.

MEMBER BECK: Nice job. Very nice job.

But in looking at why these three have been successful, there is really three things that come together. There is a trained teacher. There is a financial institution that is willing to not be so ROI-focused. And there is a school administration that is giving them shelf space. Shelf space is continually a problem we run into in schools. Teachers often sneak programs in under math or something else because they think their kids need this.

So, if you are looking for a success model, which is one of your questions, saying to the groups you are working with is these are the three folks you have got to get onboard. There is teaching training available. The teachers have to be motivated and have to be good at it. You have got to find a financial institution that is willing to work with you over time and it is not just gee, I never do this; I am going to try it. And you have got to get the school board, administrators, whomever is the decision-maker saying this is something we are going to carve out time for because of that long-term return. Because if anybody thinks there is a six-month return on this, there isn't. But there is a long-term return. So, in scalability, you are going to get a bunch of little successes but those add up. But you have got to get those three elements onboard. And these are three prime examples of where it has worked.

So, thank you.

MR. REYNOLDS: Thank you.

MEMBER MCCOY: Thank you, Luke. This is so inspiring. So, thank you so much.

I was curious, intrigued at your bank's opening noncustodial accounts and your banks focus on custodial only. And I was wondering if you would be interested in the dialogue about what were the considerations in upper-most in mind of each bank as to why to go one direction or the other and was part of it regulatory considerations, know your customer, or anything like that?

MS. THURLOW: So we did have the information as far as what we could do for on a state-by-state basis. So, thank you for that.

From our standpoint, it was a question of contract law. So, can we enforce it against a student if they are younger than 18? No, we could not. However, if we structure the account in the right way, don't allow overdrafts, and minimize a loss, is that a risk that we are willing take? And if we believe that financial literacy is going to create a better customer in the future, hopefully, they are going to come to us first and we have created a wonderful new opportunity with a new customer base that is fully educated. So, that is how we roll the dice.

MS. HUDDLESTON: And I would say that the reason we require a custodial relationship is because of the age of the students that we are working with and a matter of state law as well.

We do have, outside of the context of this particular program, but we do have some flexibility within our bank on checking accounts for working minors at the high school level.

MEMBER EAKES: I wanted to ask what ages you focus at and what difference across different ages.

And then Michelle, I just wanted to say how nice it was to have someone with no accent here.

(Laughter.)

MS. HUDDLESTON: I definitely have been drawn to you, too.

Well, we are in kindergarten through eighth grade. Again, we have not had a lot of success in that fifth through eighth grade last year. We continued on but we did not have a lot of success with account.

This year, we agreed as a group when we met with the school system that we would focus most of our efforts in the third, fourth, and fifth grade. We felt we got the most attention in that age group and that there was more retention of the subject and that they could actually begin to apply it and understand it, even in their lives at that particular point or recognize parental behavior or things that were going on.

So, that is where we are.

MS. BISTRANSIN: My program is

strictly high school with nine through twelve.

MS. THURLOW: So, we actually have two programs. We actually do the Savings Makes Cents program early on and that is somewhere in an elementary school. So, we hit about 1,200 to 1,500 students a year in April doing those programs. So, that is just -- this is all about savings.

And then we focus now on high school or eighth grade, before they are coming into high school, to get them into the account so that they are then in a self-contained environment, where they have somebody there that they can come to and they have the advice kind of surrounding them with the high school branches.

MEMBER EAKES: Anybody but middle schoolers, it sounds like.

MS. HUDDLESTON: I will say this on that note, we are already finding out that those that we had in fourth grade, now that are fifth grade, they are continuing to participate. So, we feel like there is a trust factor, I think, even at that young age that they have already made that relationship with us. So, we do feel that they are continuing it.

CHAIR GRUENBERG: I would like to ask each of you about the role of the school district in your program. Was it at the school district level that a program was established that allowed the bank to establish a program at the school? And what was the chicken and the egg here? Did the bank approach the district or the school or did the school district establish a program that the bank was then able to participate in? Or was there some other means through which the program got set up?

MS. BISTRANSIN: As far as Capital One is concerned, this is their fourth student bank branch and they were looking to expand in the D.C. Metro area. And so they had a meeting with local school systems and principals to put out the fact that they are interested in doing this and to see what type of interest there was.

And from what I understand, the person who ran the meeting had to leave immediately. She got on a plane and before she could even take off, my principal had called her and said we want this program at my school.

CHAIR GRUENBERG: I see.

MS. BISTRANSIN: But our school board has been incredibly supportive of it and I would say the teachers have been reasonably supportive of it. Just in terms of taking kids out of class but I have been working very hard to fix those relationships and it seems to be coming along.

MS. HUDDLESTON: We approached the school system and they didn't let us get in our cars that day. They were very excited about the opportunities. And so they very much embraced it all levels. It was more hesitation at the classroom teacher level but it has been very successful.

CHAIR GRUENBERG: For the same reason that Susan --

MS. HUDDLESTON: Yes, that is the only reason.

MS. THURLOW: So, the superintendent of schools in the Town of Reading actually approached us and that was our first foray. The next call was from the superintendent of the vocational school. They wanted an ATM. We said no, we think you should have this program. So, we have worked with partnership and launched that this year.

The Lawrence Public School was an outreach that started in the middle school that ended up at the attention of the principal and we put the program together.

CHAIR GRUENBERG: Thank you.

MR. REYNOLDS: John, I think --

MEMBER RYAN: I just wanted to acknowledge how important this is not just as a forum but as a network. So, the issue of state law as an impediment to these sorts of programs was raised a year and a half, two years ago. And so I had followed up and said what can we do about this.

So, ultimately, Luke approached me and we were able to work together. The FDIC was a great help in coming up with a survey and the information needed. And what we have come to is that it is an impediment. There are some differences. There are half a dozen states that are silent on the issue of noncustodial accounts. The vast majority permit. There are a few that permit with some limitations.

But I want to offer up kind of the next wave is if you -- I am going to ask Luke to send around the map that we built out. It has all the citations, everything, the details of the questions. If this is seen, if some of the differences are seen as an impediment to the program for those who want to scale it on a multi-state basis and we need to think about model laws that open up that conversation as well because, as a system, we really see the value in doing this.

And thank you, as educators and institutions. But I want to make sure that not only are we not creating impediments, but we are making it as easy as possible for all of you to have these sorts of programs.

MEMBER ANNIBALE: And John, for

national banks, it is particularly important to think this, too, of where we open the accounts and under what law are we going to have the accounts domiciled and governed under. And it is conflicting.

So, and also your cooperation in being able to look now and see by state, I think will be very interesting.

MEMBER RYAN: It will make it a lot easier. We have all the citations, everything.

MR. REYNOLDS: I realize I am out of time. I also realized I was going to share the address for the websites the CSBS created. I understand that facts.csbs.org/survey -- facts.csbs.org/survey. Then, I am out of time. Thank you.

MEMBER RYAN: Maybe we could just email it around.

MR. REYNOLDS: And we will email it around as well.

MEMBER LEVERE: Can I just -- a former member of this body, Peter Tufano, had this brilliant idea to help solve your teacher problem. And he just never succeeded but I just want to put it on the table. He tried to change the questions on the SAT and take out those ridiculous questions about the train going this way and the train going that way and replace them with questions that were designed around financial issues and financial literacy. And that is the way to scale --

MEMBER BARR: I like that train question.

MEMBER LEVERE: -- all the way down because then people will teach to that and then people would look -- and I always champion. Now, he is, unfortunately, in England, so he is not as concerned with the SAT. But I just thought that was a brilliant idea for really creating the incentive structure to do this broadly.

So, I just wanted to give our former member --

MR. REYNOLDS: And I just note that idea was picked up by the CFPB in one of their white papers for youth financial education around standardized tests. So an adaptation of that idea.

MEMBER LEVERE: And it is the most powerful institution I think, in America. Right? We will crack it.

MR. REYNOLDS: Thank you.

MEMBER LEVERE: Yes, ETS.

CHAIR GRUENBERG: Any other questions or comments for this panel?

I very much want to thank you all. Just terrific.

And I think that concludes our agenda for today and we will come up with something else to talk about the next time.

(Laughter.)

CHAIR GRUENBERG: Thank you.

(Whereupon, the above-entitled matter went off the record at 3:22 p.m.)