

Minutes  
of  
The Meeting of the FDIC Advisory Committee on Economic Inclusion  
of the  
Federal Deposit Insurance Corporation  
Held in the Board Room  
Federal Deposit Insurance Corporation Building  
Washington, D.C.  
Open to Public Observation  
October 22, 2019 - 9:00 A.M.

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

The members of ComE-IN present at the meeting were Robert A. Annibale, Global Director, Citi Microfinance and Community Development; Janie Barrera, Founding President and CEO of LiftFund, Inc.; Raphael Bostic, President and CEO, Federal Reserve Bank of Atlanta; Jose Cisneros, Treasurer, City and County of San Francisco, California; Martin Eakes, CEO, Self-Help Credit Union; Don Graves, Director of Corporate Responsibility, KeyBank; Wade Henderson, President and CEO, Leadership Conference on Civil Rights, and Counselor to the Leadership Conference on Civil Rights Education Fund; Maurice Jones, President and CEO, Local Initiatives Support Corporation (LISC); Andrea Levere, President, Corporation for Enterprise Development; Margaret Libby, President, MyPath; Alden J. McDonald, Jr., President and CEO, Liberty Bank and Trust Company, New Orleans, LA; Jonathan Mintz, President and CEO, Cities for Financial Empowerment Fund; Pamela Patenaude, Director, Habitat for Humanity; and John C. Weicher, Senior Fellow and Director, Center for Housing and Financial Markets.

Michael S. Barr, Dean, Ford School of Public Policy, University of Michigan Law School and John W. Ryan, President and CEO, Conference of State Bank Supervisors, were absent from the meeting.

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

Corporation staff who attended the meeting included James L. Anderson, Michelle B. Baker-Dubbs, Sherry A. Betancourt, Annmarie H. Boyd, Leonard N. Chanin, Kymberly K. Copa, Carolyn D. Curran, Tim Davin, Christine M. Davis, Stephanie M. Downing, Keith S. Ernst, Lekeshia Frasure, Nicholas P. Frazier, Peggi J. Gill, Glenn S. Gimble, Ryan M. Goodstein, Shannon N. Greco, Emerson B. Hall, Edward J. Hof, Arleas Upton Kea, Joan M. Lok, Christopher Lucas, Elizabeth Ortiz, Mark E. Pearce, Paul Robin, Betty J. Rudolph, Marguerite Sagatelian, Richard M. Schwartz, David L. Sharp, Lori Thompson, Jeffrey Weinstein, Lauren A. Whitaker, and Angela A. Wu.

Also Present were Kanav Bhagat, Managing Director of Financial Market Research, JPMorgan Chase Institute; Lariece Brown, Quantitative Analytics Director, Freddie Mac; Kelly Cochran, Deputy Director, FinRegLab; Katy Davis, Managing Director, ideas42; Amelia Erwit, Managing Director, Cities for Financial Empowerment Fund; Lindsay Ferguson, Director of Strategic Engagement for America Saves, Consumer Federation of America; Jason Gross, CEO and Co-Founder, Petal; Daniel Nestel, Senior Director Government Relations, FICO; and Lauren Saunders, Associate Director, National Consumer Law Center.

Director Gruenberg opened the meeting as Chairman McWilliams was delayed. He began by reminding everyone that the Committee has been in existence at the FDIC for over ten years and is an extraordinarily valuable resource for the FDIC to address issues core to the FDIC's mission.

Director Gruenberg then introduced the new members of the Committee, detailing their positions and activities in the

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community: Raphael Bostic is the president of the Federal Reserve Bank in Atlanta; Don Graves is the Director of Corporate Responsibility at KeyBank; Maurice Jones is President and CEO of LISC; Margaret Libby is founder and CEO of MyPath; Jonathan Mintz is the founding President and CEO of Cities for Financial Empowerment; and Pam Patenaude recently served as Deputy Secretary of the United States Department of Housing and Urban Development ("HUD") and currently serves on the Board of Habitat for Humanity.

Director Gruenberg then thanked the Committee members whose terms are ending: Janie Barrera, Wade Henderson, Andrea Levere, John Ryan, Phillip Swagel, and John Weicher. He also acknowledged Ted Beck, Kelvin Boston, Ester Fuchs, Pat McCoy, Bruce Murphy, and Manuel Orozco whose terms ended last year.

Director Gruenberg next turned the discussion over to Jonathan Miller, Deputy Director, Division of Depositor and Consumer Protection ("DCP"), moderator for the meeting, and mentioned that, in a change from previous meetings, Committee members would be provided the opportunity to share their thoughts on issues of importance to the Committee.

Before turning the discussion over to the Committee members, Mr. Miller reminded the Committee about the 2020 National Interagency Community Reinvestment Conference in March in Colorado sponsored by the FDIC, the Fed, and the OCC and invited Committee members to attend.

Next, Mr. Miller invited Member Annibale to share his thoughts. Member Annibale began the discussion by noting that the Committee will continue to consider that the density of low income communities often corresponds to a lack of services, including lack of access to financial services. Member Annibale acknowledged the work that the Committee has done with the City of New York and Mr. Mintz's work with Cities for Financial Empowerment (CFE).

Member Annibale continued, mentioning that the Committee has, in the past, discussed the lack of access to financial services for people with complex lives, particularly for people with disabilities or a household including someone with a

disability. Member Annibale noted that 18 percent of people with disabilities are unbanked and that only 37 percent of people with disabilities are employed compared to 70 percent of people without disabilities. He further noted that half of those with disabilities that are working earn approximately \$25,000 a year.

Discussing the success of the CFE program, Member Annibale noted that the program develops coaching and training of financial counselors around the needs of people with disabilities. He indicated that the program will expand nationally in the near future. Member Annibale also detailed an ATM pilot program, which opened up the ATM network to give customers free access to ATMs in an expanded network.

Member Barrera began her update by acknowledging the 25<sup>th</sup> anniversary of LiftFund, an organization, she explained, that works with consumers considered high risk. Member Barrera then provided an overview of the type of work LiftFund does with micro and small business lending to consumers with average credit scores of 590. She noted that LiftFund has a 96 percent repayment rate and that the Committee needs to look at other methods besides credit scores to determine credit-worthiness. Stressing the importance of access to capital for small businesses, Member Barrera explained that LiftFund is piloting programs with credit unions that would address some of these issues for those considered a credit risk by other institutions.

Next, Member Barrera made note of an issue related to expansion of the customer base for micro-lenders and Community Development Financial Institutions ("CDFIs"). She advised that the newly created National Association for Latino Community Asset Builders ("NALCAB") is a national fund for small businesses. She indicated that NALCAB will provide access to capital and technical assistance to its small business partners.

Member Barrera closed her comments by acknowledging Chairman McWilliams' advocacy of de novo banks and mentioning Member Barrera's involvement with the start-up of Piermont Bank, a recently opened, woman and minority owned de novo bank in New York City.

Member Bostic began by noting that the Federal Reserve had just finished a strategic planning process where two issues highlighted were the challenge of economic mobility and the challenges of innovation in financial products. Member Bostic advised that the issue of financial wellness and financial stability is critical for families.

Member Bostic continued, mentioning that the Federal Reserve is working to provide training and curriculum for fifth and eighth graders to improve collective financial sophistication. He also highlighted innovation in the fintech space as an area that could be used to increase consumer access to financial services and capital. Next, Member Bostic highlighted issues surrounding affordable housing and access to capital for consumers. He explained that the Federal Reserve Bank of Atlanta has been thinking about Community Reinvestment Act ("CRA") reform and deployment of capital for small businesses.

Member Bostic reminded the Committee of the differences in the challenges to economic inclusion in urban and rural locations. He asked that the Committee remain mindful of the special challenges that rural areas face including issues related to capital access, workforce development, and the strength of institutions, such as community banks. Member Bostic closed his remarks by asking that the Committee think about the cost of capital for lower income families.

Member Cisneros reported that his Office of Financial Empowerment in San Francisco continues to deliver a number of important programs including the longest running Bank On program that continues to connect unbanked consumers to Safe accounts in the city. He highlighted the importance of providing financial coaching and getting youth into bank accounts by the time they get their first paycheck. He advised that the city of San Francisco offers a first of its kind children's savings account program through a partnership with Citibank and the local public school district.

Member Cisneros suggested that the Committee consider the importance of physical brick and mortar bank branches and cash deposits for low income consumers who are trying to safely and economically access the banking system. Member Cisneros then

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discussed the challenges faced by some consumer populations who are not able to open up a bank account because of negative banking records.

Member Eakes reported that Self-Help started more than 30 years ago under the premise that understanding wealth in families would help advance progress on race in the south. Noting that black and Latino families hold only one-tenth the amount of wealth that white families hold, he explained that Self-Help's solution has been to figure out how to raise the homeownership rate for families of color up to the national average.

Member Eakes continued by explaining that Self-Help started by making loans to mostly black single mothers. He stated that in the first ten years, Self-Help made \$100 million in loans to families who had been unable to receive a home loan from any other source. Member Eakes then provided additional detail regarding the wealth gap and the role of homeownership in communities of color, noting that in the last 20 years, the actual gap between white and black families has gone from \$100,000 to \$150,000. He then continued by discussed the importance of homeownership as a means of closing the wealth gap and indicated that access to cash reserves and down payment assistance programs are important aspects of the issues surrounding homeownership in communities of color.

Member Eakes concluded his remarks by highlighting issues such as payday loans, direct deposit advance, and overdraft fees as mechanisms that take cash reserves out of households. He encouraged the Committee to continue to monitor abuse in these areas. Member Eakes also commented on some issues surrounding "rent-a-bank" charters and fintech innovation. He cautioned the Committee to remain vigilant on abusive practices in these areas as well.

Member Graves began by sharing that KeyBank's mission is to help communities thrive by providing community members the opportunity to live a life of dignity. He reported that, in 2018, KeyBank received its ninth straight outstanding CRA rating and that it has received an outstanding CRA rating every exam since the inception of the CRA. He then provided additional detail regarding the types of products offered by KeyBank, such as the

KeyBank Plus Check Cashing product which is meant to directly compete with check cashers, offers a very low fee, and is available at any of KeyBank's branches. Member Graves then highlighted some of KeyBank's new programs, such as the E-Z Up program, which is an innovative new tool that allows clients to automatically save money for the payment of debts.

Member Graves then discussed issues around financial literacy. Member Graves noted that banks are challenged in terms of outreach around financial literacy. He also acknowledged that consumers face challenges going into a bank and not knowing what to do when faced with different types of accounts, and finding it easier to go to the check cashier that they know.

Concluding his remarks, Member Graves discussed challenges surrounding the CRA as it relates to achieving goals of reaching rural and poor communities. He noted that there are issues with how to provide CRA credit, how to apply for it, and access versus pricing and risk. He suggested that a new approach might be helpful.

Member Henderson mentioned that The Leadership Conference is the nation's leading civil and human rights coalition with over 200 participating national organizations. In acknowledging that the current meeting was his last, Member Henderson recounted the work that the Committee has done over the years, from the foreclosure crisis to Dodd-Frank and through the growth of fintech and new banking services.

Member Henderson highlighted the work that has been done to bring communities of color into the banking system not only as consumers but also as employees by promoting Fair Chance Hiring Section 19 policy reforms to make it easier for banks to bring in employees who are rebuilding their lives. He also acknowledged Chairman McWilliams and the FDIC's role in making reforms to the Community Reinvestment Act.

Member Henderson then urged the Committee to continue to monitor the "rent-a-bank" practice where some lenders may be taking advantage of relationships with federally regulated banks to do an end run around state usury laws.

Next, Member Henderson urged the banking industry and the regulators to address the troubling racial gap in homeownership. He noted that homeownership is the primary means that most families build wealth, and housing is the biggest single expenditure that families face every month. Member Henderson advised that priorities for the Committee should be ensuring that lenders are able to serve all communities and ensuring that credit access is inclusive and sustainable. Member Henderson concluded by noting that the biggest financial threat to low income communities of color and the economy moving forward is student loan debt.

Member Jones discussed the importance of providing financial literacy coaching, case management, and workforce development to members of the community to help prepare them to take advantage of the jobs market. Member Johnson also acknowledged homeownership disparities in minority communities. Member Johnson concluded his remarks by stressing the importance of working together across race, class, and geographies to achieve economic inclusion goals.

Member Levere acknowledged FDIC staff for their help in providing data that has been incorporated into the Prosperity Now scorecard. Member Levere highlighted the ability of Prosperity Now to examine two metrics, including economic performance and state rank by racial disparities. Member Levere noted that Prosperity Now uses a framework that focuses on savings for now, soon, and later as a means of expanding savings in accounts that are safe.

Member Levere then discussed several innovations and pilot programs aimed to build short and long term savings for consumers. Concluding her remarks, Member Levere urged the Committee to keep in mind that only two women will remain on the Committee after her departure and encouraged the Committee to remember that as new members are added.

Member Libby reported that MyPath works on behalf of youth and young adults by focusing on financial capability and youth workforce settings. She stressed that consumers aged 14 to 24 years' old who are starting their first employment experience need access to banking and supports around saving. Member Libby

acknowledged the FDIC's work on Safe accounts and non-custodial savings accounts. She suggested that the Committee now focus on programs that would provide transactional account and debit card access to young people. Next, Member Libby discussed issues surrounding identification requirements for accounts for youth who may not have the required government issued photo identification.

Member McDonald started his remarks by reporting on the work that his bank does on economic inclusion. He expressed gratitude to the FDIC for its work related to minority depository institutions. He then discussed issues facing the community he serves, including widening of the income gap and the affordable housing crisis. He said that his bank forecloses on fewer than three houses per year and that they finance consumers with credit scores down to 550, and some with loans with 100 percent financing as a way of supporting wealth building and home ownership in his community.

Member McDonald mentioned that his staff incorporates financial education into services offered to customers. He advised that the bank is also looking at hosting a summer camp for youth to teach them about the marketplace, investments, and how to use their income dollars when they become wage earners.

Member Mintz started by commenting on the need to bridge the divide between technological advances with the rise of branchless banking, and consumers' need to make cash deposits and cash checks. Member Mintz reported that the Cities for Financial Empowerment Fund ("CFE Fund") participates in the Bank On initiative, working with various coalitions around the country to support their work and certify accounts that meet the national standard. He mentioned that CFE Fund partnered with the Federal Reserve Bank of St. Louis and four financial institutions to collect account information. He then provided additional details regarding information collected on Bank On accounts. Member Mintz concluded his remarks by seeking feedback from the Committee on the role, standards, and expectations for branchless providers.

Member Patenaude began her remarks by reporting on her experience and ongoing work with the community in Puerto Rico and Habitat for Humanity. Highlighting her passion for the work in

Puerto Rico, Member Patenaude stated that thousands of families are unbanked in Puerto Rico due to an informal economy. She then discussed the various title issues that have been problematic for disaster survivors in Puerto Rico. She suggested that the Committee could assist in helping Puerto Rican citizens access the financial mainstream as they receive Federal Emergency Management Agency ("FEMA") fund disbursements.

Member Weicher highlighted a project where his organization created a new property tax reversion system for the State of Michigan. Member Weicher then discussed the loss of wealth that occurred in all households since the Great Recession. He continued by discussing the wealth gap and homeownership disparities in African American and Hispanic households.

The first panel of the day recessed at 10:27 a.m. and resumed at 10:45 a.m.

#### **Developments in Credit Scoring and Underwriting**

Mr. Miller introduced the moderator of the first panel, Keith Ernst, Associate Director for Consumer Research, Division of Depositor and Consumer Protection.

Mr. Ernst reported the results from the most recent Household survey which showed that one in five households did not have access to mainstream credit in the last 12 months and likely lacked a credit score, hindering their ability to obtain credit when challenges arise. Mr. Ernst commented on the importance of alternate underwriting technologies to evaluate creditworthiness for consumers with thin credit files.

Mr. Ernst first introduced Jason Gross, CEO and co-founder of Petal, a credit card company that deploys innovative underwriting and extends credit to a broad set of consumers. Next, Mr. Ernst introduced Kelly Cochran, Deputy Director of FinRegLab to share results of research exploring how cash flow based underwriting may complement traditional credit measures. Following his introduction of Ms. Cochran, Mr. Ernst noted that Daniel Nestel from FICO would discuss the company's efforts to use information beyond traditional credit bureau data to better score consumers' credit risk. Mr. Ernst stated that Lauren

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Saunders from the National Consumer Law Center would highlight potential concerns regarding these developments.

Mr. Gross began his remarks by providing background information about Petal stating that the company began four years ago with the purpose of addressing credit access issues in the marketplace. He noted that the consumers most affected by credit access issues are young, Black or Hispanic, or from immigrant families. He reported that the vast majority of these consumers with thin credit files have, in fact, other financial data, the type of which is regularly used in the underwriting of other financial products not being utilized in the decision to extend small-dollar credit.

Mr. Gross explained that Petal uses technology to access data such as verification of income, liquid assets, and other monthly expenses. He further explained that this technology allows Petal to use an automated underwriting process. Mr. Gross shared that Petal offers a credit card product specifically designed for consumers that are new to credit.

Next, Ms. Cochran began her remarks by stating that the FinRegLab is a new non-profit research organization which began in 2018 and is focused on understanding the ways that technology, data, and financial services drive financial inclusion and encourage safe and responsible products. Ms. Cochran reported that FinRegLab's first major research project focused on the use of cash flow data. Next, she noted that FinRegLab's second report examined small business lending and that a third report will look at the consumer market and policy issues overall. Providing additional details about the reports, Ms. Cochran noted that the first report analyzed three specific research questions: how predictive was the data that was used; how successful were companies in reaching applicants that might have trouble accessing credit under more traditional metrics and the fair lending implications of these results.

Discussing the results of the report, Ms. Cochran indicated that FinRegLab found that cash flow data was in fact predictive in the instances where FinRegLab had loan level data to study. Ms. Cochran noted that, with regard to inclusion and fair lending, FinRegLab generally found evidence that the various

study participants were able to reach different, possibly underserved applicants. Ms. Cochran then discussed a graphic intended to display differentiation of risk by cash flow metrics of various categories of borrowers. Concluding her remarks, Ms. Cochran mentioned that it is encouraging to see that many institutions and financial services companies are beginning to use cash flow data to serve consumers.

Mr. Nestel began his remarks by noting some of the work that FICO has done related to fraud detection and real-time payment systems. Mr. Nestel then acknowledged that, while FICO has provided scoring for nearly 200 million consumers, there are approximately 53 million consumers who have no FICO score. He explained that FICO has begun to look at alternative credit scoring data in categories such as financial account data, non-financial account data, and rent and utility payment data to develop a new credit score that can be used in the unsecured lending marketplace.

Next, Mr. Nestel discussed FICO's newest initiative, the UltraFICO score. He explained that the UltraFICO score is unique because it is derived from consumer-contributed data, and would be driven by consumers providing permission to access their bank account information. He noted that, like the FICO score, the UltraFICO score ranges from 300 to 850, making it very easy for lenders to understand. He noted that FICO has partnered with Experian and Finicity, a fintech data aggregation company, for the UltraFICO score initiative. Mr. Nestel concluded his remarks by discussing some of the observations from the UltraFICO initiative. Mr. Nestel noted that using UltraFICO's two criteria: no negative balances within the last three months and a positive balance of at least \$400 average over the past three months, approximately 70 percent of consumers in the applicant pool will experience a score increase. He said that FICO is engaging in a pilot program with three financial institutions with the goal of completing the pilot program by the start of 2020.

Ms. Saunders began her remarks by noting that this year marked the 50<sup>th</sup> anniversary of the National Consumer Law Center, which works to ensure that low income and vulnerable consumers are protected in the financial marketplace, have access to safe

and affordable products, and are protected against products that are destructive to their financial health. Ms. Saunders noted that cash flow underwriting is a promising form of underwriting.

Ms. Saunders then cautioned against mandatory reporting of consumer information by utility companies. She advised that allowing consumers to voluntarily grant access to utility data would be the more prudent way of gathering this type of information. Ms. Saunders also noted that she has some questions regarding cash flow underwriting and the use of information from data aggregation companies. Next, Ms. Saunders raised some concerns regarding the difference between assessment of credit risk from the lender's perspective and affordability or ability to pay from the borrower's perspective. She also raised privacy and security concerns regarding the use of data from data aggregation companies. Concluding her remarks, Ms. Saunders noted the importance of disparate impact analysis tools and thanked FinRegLab for looking at disparate impact in their study.

Following the presentation, Mr. Ernst provided panelists and Committee members an opportunity to share general observations. Mr. Gross responded to Ms. Saunders comments on consumer permission for the use of data. He noted that a consumer's financial record is the basis on which a provider can serve a consumer in the financial service marketplace. He commented that looking at the alternate financial data allows companies to make credit decisions that are more accurate and more inclusive by looking at the full financial picture of a consumer.

Committee members then offered a number of comments and suggestions. Member Mintz commented on the need for ensuring that standards for underwriting are inclusive of accounts, such as Bank On accounts, which do not allow consumers to have a negative account balance. Member McDonald asked the panel questions about the interest rate and delinquency history of the products discussed during the presentation. In response, Mr. Gross advised that Petal uses risk-based pricing for the APR on the card, which ranges from approximately 15 percent to 26 percent. He also noted that Petal has seen thin file customers underwritten using cash flow data, perform approximately twice as well as thicker file consumers with the same credit score underwritten using traditional metrics. Ms. Cochran responded

that FinRegLab looked at products using a variety of price structures including both fee-based systems and interest rate pricing. Member McDonald asked Mr. Nestel about specifics on rating an account that has a 30-day delinquency but no 60 or 90-day delinquencies. Mr. Nestel responded that a consumer who does not have a charge-off or a serious delinquency beyond 90 days would benefit from the UltraFICO rating system. Member McDonald suggested that the FDIC might consider how examination procedures could offset some of the negative guidelines for underwriting based on cash flow for institutions. Committee members and panelists then discussed issues surrounding data aggregators and compliance with the Fair Credit Reporting Act and Gramm-Leach-Bliley act as well as issues involving transparency of the models and systems used by financial services providers.

Mr. Ernst then announced that the meeting would recess for lunch. Accordingly, at 12:11 pm, the meeting stood in recess.

#### **Mortgage Markets Update**

The meeting reconvened at 1:23 pm, at which time Mr. Miller introduced Mark Pearce, Director, Division of Deposit and Consumer Protection, as the moderator of the mortgage markets update panel. Mr. Pearce then introduced Ryan Goodstein, Senior Economist, Division of Deposit and Consumer Protection, to discuss insights from the 2018 HMDA data. He also introduced Lariece Brown, Quantitative Analytics Director, Freddie Mac, to discuss transition rates from rental to home ownership for African-American households and Kanav Bhagat, JP Morgan Chase Institute, to discuss post-closing liquidity and the importance of liquidity for sustainable home ownership.

Mr. Goodstein opened by noting that his presentation would focus on the increasing role of non-banks in the mortgage market and the effect on consumers' access to mortgage credit. He provided a brief overview of the growth of non-bank lenders in single family mortgage originations, noting that as growth has occurred in the non-bank lender share of originations, a decline in the share of bank originations has occurred disproportionately among the largest banks. He said that data suggests that non-bank lenders are filling a gap in access to mortgage credit by making loans to borrowers that some banks, particularly large

banks, seem less willing to serve. Continuing, Mr. Goodstein noted that credit score distribution differences among non-bank lenders and banks could be attributed to differences in the markets that the banks and non-bank lenders serve. Chairman McWilliams queried whether the loans Mr. Goodstein had analyzed were Home Ownership and Equity Protection Act ("HOEPA") loans. Mr. Goodstein responded that these were not HOEPA loans. Mr. Goodstein continued by discussing credit availability and the level of risk in the market. Mr. Goodstein concluded his remarks by advising that, while credit availability has expanded, the pool of borrowers receiving loans is of relatively low risk profile.

Ms. Brown then provided an overview of the status of the minority housing gap in the years since the last economic crisis. Ms. Brown noted that a divergence in home ownership rates post-crisis in that ownership rate gaps have risen. She said in 2019, blacks are 30 percentage points less likely than whites to own a home, and Hispanics are 26 percentage points less likely than whites to own a home. Ms. Brown then summarized several research studies that analyze the home ownership gap in the post crisis period. Next, Ms. Brown summarized Freddie Mac's research reporting that age, income, unemployment, and housing demand are determinants as to which consumers acquire a new mortgage. She advised that student loan debt, gender, and education level factor less into the transition to homeownership than do other attributes. Ms. Brown also reported that the impact of the various consumer attributes varies by geography. She concluded her remarks by detailing some of the work that Freddie Mac has done to address these discrepancies.

Mr. Bhagat began his presentation by noting that JP Morgan Chase Institute is a research organization with the goal of using JP Morgan Chase's administrative data to perform economic research. He noted that the JP Morgan Chase Institute has analyzed the role of liquidity, equity, income level, and payment burden as determinants of mortgage default. Summarizing the results of the research, Mr. Bhagat advised that, based on the study's analysis, liquidity may be a more important determinant of mortgage default than equity, income level, and payment burden. Mr. Bhagat also discussed research implications related

to the impact of total debt to income analysis as a default preventative mechanism.

In the discussion following the panelists' presentations, Committee members asked several questions and offered a number of suggestions and observations. Member Annibale asked if thought had been given to the idea of offering consumer incentives for retaining post-closing liquidity. In response, Mr. Bhagat suggested that an escrow account would be one way to implement this type of incentive. Member Levere asked Ms. Brown whether Freddie Mac's research had taken into consideration student loan debt as a contributing factor to home ownership gaps. Ms. Brown replied that student loan debt does matter but that other factors such as credit scores and income matter more. Member Mintz asked Mr. Bhagat whether his research findings regarding the importance of liquidity accounted for income disparities. Mr. Bhagat responded that the study did not control for typical underwriting variables, such as income. Panelists and Committee members then discussed policy and regulatory considerations for lending institutions to determine the appropriate level of risk for mortgage loans. Member Bostic then asked Ms. Brown whether Freddie Mac's research could be done at the state level, to which Ms. Brown replied that Freddie Mac would be interested in researching state level implications.

Following additional comments by Committee members, Mr. Miller thanked the panelists and announced the panel would recess until the start of the final panel of the day. Accordingly, the meeting stood in recess at 2:41 pm.

### **Sustainable Bank Accounts**

Reconvening the meeting at 2:51 pm, Mr. Miller introduced Emerson Hall, Associate Director, Consumer Community Affairs, as moderator for the sustainable bank accounts panel. Before introducing the panelists, Mr. Hall remarked that one of the key challenges to expanding participation in the nation's banking system is getting the attention and commitment of unbanked and underbanked consumers. He noted that the panel would showcase and address several effective strategies that have helped to increase the rates at which consumers obtain and use bank accounts. Mr. Hall then introduced the panelists: Lindsay Ferguson, Director of Strategic Engagement, America Saves; Katy Davis, Managing

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Director, ideas42; and Amelia Erwit, Managing Director of Cities for Financial Empowerment Fund ("CFE Fund").

Ms. Ferguson provided an overview of America Saves and shared some of the communication strategies and interventions that have proven most effective for America Saves. Ms. Ferguson noted that America Saves focuses on two main audiences in its campaigns: 1) savers, which are individuals aspiring to save; and 2) partners, which are organization that use resources and messaging tools to promote saving in a targeted community. She discussed the principles of social marketing and behavioral economics that motivate and encourage Americans to save. She noted that the America Saves pledge is a simple savings plan that allows consumers to commit to saving. She mentioned that over 710,000 Americans have established saving goals and created savings plans using the America Saves pledge. Ms. Ferguson then shared data from America Saves' recent surveys including that 60 percent of consumers who have taken the America Saves pledge are saving money on a regular basis. She also reported that consumers indicated the top savings goals were emergency funds, debt repayment, and vacation or a special event. She also noted that the top interventions used to encourage Americans to save are text, blog, and social media. Ms. Ferguson then discussed various America Saves programs geared toward encouraging consumers to save money. Concluding her remarks, Ms. Ferguson noted that America Saves week will be held in February of 2020 and invited Committee members to participate.

Ms. Davis discussed topics addressing behavioral perspectives of consumers interacting with financial products. She explained that financial products are intangible and because consumers interact with them on a subconscious level, designers must consider the behavioral science about human behavior in order to more effectively predict how people might interact with products. Ms. Davis remarked on the challenge of information decay in that humans do not remember information persistently throughout their lives. Ms. Davis noted that ideas42 has partnered with Alliant Credit Union to roll out a new remote deposit capture feature with the goal of encouraging members to accept the convenience of the new feature. Concluding her remarks, Ms. Davis emphasized the importance of designing products *with* communities as opposed to *for* communities and

taking note of the barriers that consumers perceive in their lives.

Ms. Erwitt provided an overview of the work that the CFE Fund does to negotiate safe and affordable banking accounts and highlighted CFE's Bank On initiative as a program that places consumers into safe and affordable accounts. She noted that the CFE Fund worked closely with the FDIC to examine the segmentation of the unbanked population and whether consumers who were unbanked were unbanked for reasons that could be addressed by an effective communication strategy. She explained that Bank On focused on consumers with a motivational barrier for opening an account and eliminated from their research anyone who had a structural barrier, such as being listed on ChexSystems. Ms. Erwitt then discussed research findings including that messaging can affect a consumer's perception of the banking system. She also noted that CFE Fund's research indicated that tools such as direct deposit and the ability to have avoid overdraft fees made banking much more simple and stress free for the consumers who responded to CFE's surveys. Ms. Erwitt also emphasized the importance of transparent cost structures without hidden fees for consumers. Ms. Erwitt concluded her remarks by noting that CFE Fund is in the process of developing tools and talking points for use by front line staff persons.

In the discussion that followed, Member Jones asked Ms. Ferguson about the age range targeted by America Saves. In response, Ms. Ferguson noted that the parent campaign targets adults aged 18 and up, but that there is also a program for young workers that targets 16 to 24 year olds. Member Graves commented that the current scheduled week for the America Saves week coincides with tax season, which might pose difficulties for some banks. Member Graves asked Ms. Davis several questions regarding the data including questions about the demographics of those surveyed and the type of technology used by those surveyed. Member Graves next asked Ms. Erwitt about the timing of publication of the CFE Fund study. In response, Ms. Erwitt replied that the study should be published soon after receiving input from the various Committee members.

Next, Committee members and panelists offered comments on the efficacy of childhood savings accounts. Members Henderson

and Cisneros suggested that the FDIC further examine the issue of the efficacy of child savings accounts. Mr. Miller concluded the discussion by noting that the Committee has dedicated a significant amount of time to building and promoting the Safe account standards. He further noted that there are banks in all 50 states offering the Safe account. He commented that the panel discussion provided important information regarding how to drive consumers, particularly the unbanked, to those accounts.

Closing the meeting, Chairman McWilliams thanked the panelists for their presentations. She also thanked the Committee for creating real and tangible solutions which have helped to inform FDIC policy. She reminded everyone about the Interagency Community Reinvestment Conference, an interagency conference focused on CRA that is held every two years, to be held on March 9th through 12th in 2020 in Denver. She indicated that FDIC staff is also working on scheduling the 2020 ComE-IN meetings and agendas.

There being no further business, the meeting was adjourned at 4:00 p.m.

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Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
And Committee Management Officer  
FDIC Advisory Committee on Economic  
Inclusion

October 22, 2019

Minutes  
of  
The Meeting of the FDIC Advisory Committee on Economic Inclusion  
of the  
Federal Deposit Insurance Corporation  
Held in the Board Room  
Federal Deposit Insurance Corporation Building  
Washington, D.C.  
Open to Public Observation  
October 22, 2019 – 9:00 A.M.

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

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Jelena McWilliams  
Chairman  
Board of Directors  
Federal Deposit Insurance Corporation